KNYSNA
Municipality
Munisipaliteit
uMasipala

[Audited financial statements.]

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2015

Index

Contents	Page
General Information	3 - 4
Approval of the Financial Statements	5
Report of the Auditor General	n/a
Report of the Acting Chief Financial Officer	6 - 9
Statement of Financial Position	10
Statement of Financial Performance	11
Statement of Changes In Net Assets	12
Cash Flow Statement	13
Statement of comparison of budget and actual amounts - Statement of Financial Position	14 - 15
Statement of comparison of budget and actual amounts - Statement of Financial Performance	16 - 17
Statement of comparison of budget and actual amounts - Cash Flow Statement	18 - 19
Accounting Policies	20 - 52
Notes to the Financial Statements	53 - 94

APPENDIX - UNAUDITED

A	Schedule of External Loans	95
B	Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	96
C	National Treasury Appropriation Statements	
	- Revenue and Expenditure (Standard Classification)	97
	- Revenue and Expenditure (Municipal Vote Classification)	98
	- Revenue and Expenditure	99
	- Capital Expenditure by Vote, Standard Classification and Funding	100
	- Cash Flows	101

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE

G Wolmarans	Executive Mayor
E Bouw-Spies	Speaker
E D Edge	Executive Councillor [Deputy Executive Mayor, Chairperson: Finance Committee until 06 May 2015 and Chairperson: Governance and Economic Development Committee with effect from 07 May 2015]
I Grootboom	Executive Councillor [Chairperson: Community Services Committee]
L M Hart	Executive Councillor [Chairperson: Planning, Infrastructure and Development Committee]
E van Aswegen	Executive Councillor [Chairperson: Finance Committee with effect from 07 May 2015]

AUDITORS

Auditor-General
Private Bag X96, Bellville 7535

BANKER

Nedbank Corporate
P O Box 472, Knysna
6570

REGISTERED OFFICE

Civic Centre	P O Box 21	Tel 044 - 302 6300
Clyde Street	Knysna	Fax 044 - 302 6333
Knysna	6570	

ACCOUNTING OFFICER

Mr G S Easton

ACTING CHIEF FINANCIAL OFFICER

Ms A K Sunkar

LEGAL FORM

Category B municipality (local municipality) envisaged in section 155(1)(b) of the Constitution

GENERAL INFORMATION (CONTINUED)

JURISDICTION

Greater Knysna area which includes:
Knysna
Sedgefield
Rheenendal
Karatara
Brenton
Belvidere
Noetzie

RELEVANT LEGISLATION

Constitution of the Republic of South Africa (Act no 108 of 1996)
Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Knysna Municipality By-Law relating to Liquor Trading Hours (December 2014)

MEMBERS OF THE KNYSNA MUNICIPALITY

2014/2015

WARD	COUNCILLOR
1	I W J Grootboom
2	L M Hart
3	M Lizwani
4	W N Litoli
5	E Bouw-Spies (with effect from 07 July 2014)
6	C K Witbooi
7	T M E Gombo
8	N Sopeki
9	M Willemse (replaced ML Wasseerman in June 2015)
10	P Myers (replaced RA Dawson in June 2015)
Proportional	R Barrell
Proportional	S De Vries
Proportional	M Dyantyi
Proportional	E D Edge
Proportional	T Nayler
Proportional	P P Nkam
Proportional	B Tyokolo
Proportional	E O Van Aswegen
Proportional	G Wolmarans

I am responsible for the preparation of these annual financial statements year ended 30 June 2015, which are set out on pages 10 to 101 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

G S Easton
Accounting Officer

Date 30/11/15

Report of the auditor-general to the Western Cape Provincial Parliament and the council on the Knysna Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of the Knysna Municipality set out on pages 10 to 94, which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Knysna Municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of errors discovered during 2014-15 in the financial statements of the municipality at, and for the year ended, 30 June 2014.

Material impairments

9. As disclosed in notes 18 and 19 to the financial statements, material impairments of R48, 4 million (2013-14: R35, 6 million) and R117, 1 million (2013-14: R59, 5 million) were incurred as a result of expected irrecoverable debt from exchange transactions and non-exchange transactions, respectively.

Additional matters

10. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

11. The supplementary information set out on pages 95 to 101 of the financial statements does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

12. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

Report on other legal and regulatory requirements

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as

described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2015:

    - Strategic objective 1: to promote access for all citizens to equitable, appropriate and sustainable infrastructure and services within a safe environment, on pages 171 to 174
    - Strategic objective 2: to ensure ecological integrity through sustainable practices of municipal governance, on pages 174 to 175
    - Strategic objective 5: to ensure a municipality that is committed to an innovative approach, prudent investment of public funds, good governance, financial viability and optimal institutional transformation that accommodates diversity in service delivery, on pages 180 to 186

15. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

16. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.

17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18. I did not identify material findings on the usefulness and reliability of the reported performance information for all the selected objectives:

Additional matters

19. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

Achievement of planned targets

20. Refer to the annual performance report on pages 171 to 186 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for strategic objective 1: to promote access for all citizens to equitable, appropriate and sustainable infrastructure and services within a safe environment; and strategic objective 5: to ensure a municipality that is committed to an innovative approach, prudent investment of public funds, good

governance, financial viability and optimal institutional transformation that accommodates diversity in service delivery. As management subsequently corrected the misstatements, I did not identify material findings on the usefulness and reliability of the reported performance information.

Unaudited supplementary information

22. The supplementary information set out on pages 187 to 236 does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

Compliance with legislation

23. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor-General

Cape Town

30 November 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

KNYSNA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

REPORT OF THE ACTING CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Knysna Municipality for the fiscal year 2014/2015.

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to render the legislated services to the community.

The Annual Financial Statements have been prepared in accordance with the standards of Generally Recognised Accounting Practices (GRAP).

The Chief Finanical Officer position is currently vacant. The previous Chief Financial Officer was appointed as the Municipal Manager in April 2015.

Main challenges for the municipality, but not limited to, are an increase in outstanding debtors, ageing infrastructure and non cash-backed provisions. Sound financial management and maintenance programmes are required to adequately address these challenges.

South Africa has high levels of poverty, inequality and unemployment. In many parts of the country, public services are uneven or of poor quality Our economy is not growing fast enough to meet these challenges.

We aim to ensure effective leadership, management and administrative support through continuous improvement of organisational strategy and structure, in compliance with applicable legislation and in alignment with best practice.

2. KEY FINANCIAL INDICATORS

The various required financial statement ratios are shown below.

Financial Statement Ratios:

INDICATOR	30 JUNE 2015	30 JUNE 2014
Surplus / (Deficit) for the year before Appropriations	80 259 098	26 573 694
Accumulated Surplus / (Deficit) at the end of the Year	732 173 170	678 957 753
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	29.80%	28.10%
Remuneration of Councillors	1.07%	1.07%
Debt Impairment	11.94%	9.40%
Collection Cost	0.16%	0.12%
Depreciation and Amortisation	3.94%	3.74%
Impairments	0.45%	0.00%
Repairs and Maintenance	4.84%	6.00%
Actuarial losses	0.00%	1.31%
Finance Charges	3.49%	3.66%
Bulk Purchases	21.26%	21.29%
Contracted services	4.06%	3.21%
Grants and Subsidies Paid	0.89%	0.86%
Other Operating Grant Expenditure	0.00%	0.00%
General Expenses	17.95%	21.13%
Loss on Disposal of Property,Plant & Equipment/Investment Properties	0.13%	0.10%
Current Ratio:		
Creditors Days	34	29
Debtors Days	183	127

3. OPERATING RESULTS

Details of the operating results per category of expenditure, together with an explanation of variances, is included in statement of budget comparisons.

The overall operating results for the year ended 30 June 2015 are as follows:

DETAILS	Actual 2014/2015 R	Actual 2013/2014 R	Percentage Variance %	Budgeted 2014/2015 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	678 957 753	641 669 709	5.81%	-	-
Operating income for the year (incl. gains in disposal of assets)	683 847 430	608 724 877	12.34%	617 962 440	10.66%
Appropriations for the year	(27 043 682)	10 714 351	-352.2%	-	
	1 335 761 501	1 261 108 937	5.92%	617 962 440	116.16%
Expenditure:					
Operating expenditure for the year	603 588 331	582 151 184	3.68%	613 351 654	-1.59%
Closing surplus / (deficit)	732 173 170	678 957 753	7.84%	-	-
	1 335 761 501	1 261 108 937	5.92%	613 351 654	117.78%

4. CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 61 788 217 (2013/2014: R 74 611 437) and in percentage terms amounts to 69% of budget. Full details of Property, Plant and Equipment are disclosed in note number 11 to the Annual Financial Statements.

5. LONG-TERM LIABILITIES

	2015 R	2014 R
The outstanding amount of Long-term Liabilities as at 30 June was :	**128 919 335**	**119 570 005**
New loans taken up during the financial year to enable the municipality to finance part of its capital requirements.	**15 691 465**	**-**

Refer to Note number 3 and Appendix "A" for more detail.

6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

Non-current Provisions and Employee Benefits at 30 June are made up as follows:	**116 452 003**	**110 196 025**
Provision for Post Retirement Benefits	81 931 578	80 452 735
Provision for Ex-Gratia Pension Benefits	152 435	199 177
Provision for Long Service Awards	10 666 946	9 720 660
Provision for Rehabilitation of Landfill-sites	6 983 513	4 034 323
Provision for Clearing of Alien Vegetation	16 717 531	15 789 130
	116 452 003	**110 196 025**

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Notes number 4 and 5 for more detail.

7. CURRENT LIABILITIES		2015 R	2014 R
Current Liabilities are made up as follows:			
Consumer Deposits	Note number 6	10 412 909	10 012 386
Current Employee benefits	Note number 7	22 544 742	21 320 267
Payables from Exchange Transactions	Note number 8	54 678 818	51 820 767
Unspent Conditional Government Grants and Receipts	Note number 9	11 393 523	9 965 572
Operating Lease Liability - Non-Current and Current	Note number 20	597 254	847 444
Cash and Cash Equivalents	Note number 21	-	1 276 262
Current Portion of Long-term Liabilities	Note number 3	11 015 504	17 601 662
		110 642 750	112 844 360

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

8. INTANGIBLE ASSETS

The net value of Intangible Assets is:	**27 220**	**52 924**

These are assets without physical form and are all in respect of computer software.

Refer to Note number 13 for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is:	**842 739 858**	**805 487 504**

Refer to Note number 11 for more detail.

10. INVESTMENTS

The municipality held Investments to the value of :	**24 132 741**	**21 434 839**

These investments are ring-fenced for purposes of either the security for and repayment of Long-term Liabilities or the collateral on staff housing loans, with the result that no amounts are available for own purposes.

Refer to Note number 15 for more detail.

11. LONG-TERM RECEIVABLES

Long-term Receivables consist mainly of a loan to Vermont old age home. A provision for impairment for the specific loan was made to the value of R 450 693.	**642 705**	**954 432**

Refer to Note number 16 for more detail.

REPORT OF THE ACTING CHIEF FINANCIAL OFFICER

12. CURRENT ASSETS

		2015 R	2014 R
Current Assets are made up as follows:			
Inventory	Note number 17	5 771 653	7 319 029
Receivables from Exchange Transactions	Note number 18	65 521 631	40 152 671
Receivables from Non-exchange Transactions	Note number 19	35 618 087	27 958 412
Unpaid Conditional Government Grants and Receipts	Note number 9	2 608 893	5 450 230
Current- and Non-current Operating Lease Asset	Note number 20	1 958 197	1 863 211
Taxes	Note number 10	317 503	3 928 276
Current Portion of Long-term Receivables	Note number 16	67 067	124 998
Cash and Cash Equivalents	Note number 21	60 898 094	18 579 348
		172 761 127	**105 376 176**

Refer to the indicated Note numbers for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality plays the major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to Notes numbers 9 and 23 for more detail.

14. EVENTS AFTER THE REPORTING DATE

None - Refer to Note number 52.

15. DISCLOSURE ISSUES

Towards the end or the 2012 financial year Council took the decision to wind up the Knysna Economic Development Agency (Disclosure required as per GRAP 100 - discontinued operations). The Entity ceased all operations and the nett assets were transferred accordingly. The municipality is still awaiting the deregistration from the CIPC.

16. EXPRESSION OF APPRECIATION

I am extremely thankful to the Municipal Manager, Directors, Councillors and staff for their support.

In the absence of a CFO, the finance staff once again proved their commitment and dediciation, for which I am quite grateful.

A.K. SUNKAR
ACTING CHIEF FINANCIAL OFFICER
31 August 2015

KNYSNA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

NET ASSETS AND LIABILITIES	Notes	2015 R (Actual)	2014 R (Restated)
Net Assets		**817 165 151**	**736 906 053**
Capital Replacement Reserve	2	25 000 000	-
Employee Benefits Reserve	2	7 850 034	6 761 992
Non-Current Provisions Reserve	2	4 274 341	3 527 887
Revaluations Reserve	2	46 219 606	46 422 421
Valuation Roll Reserve	2	1 648 000	1 236 000
Accumulated Surplus		732 173 170	678 957 753
Non-Current Liabilities		**234 953 088**	**213 180 854**
Long-term Liabilities	3	117 903 831	102 137 385
Employee Benefits	4	92 750 959	90 372 572
Non-Current Provisions	5	23 701 044	19 823 453
Non-Current Operating Lease Liability	20	597 254	847 444
Current Liabilities		**110 045 496**	**111 996 916**
Consumer Deposits	6	10 412 909	10 012 386
Current Employee Benefits	7	22 544 742	21 320 267
Payables from Exchange Transactions	8	54 678 818	51 820 767
Unspent Conditional Government Grants and Receipts	9	11 393 523	9 965 572
Cash and Cash Equivalents	21	-	1 276 262
Current Portion of Long-term Liabilities	3	11 015 504	17 601 662
Total Net Assets and Liabilities		**1 162 163 735**	**1 062 083 823**
ASSETS			
Non-Current Assets		**991 360 808**	**958 570 861**
Property, Plant and Equipment	11	842 739 858	805 487 504
Investment Property	12	103 320 600	110 320 600
Intangible Assets	13	27 220	52 924
Heritage Assets	14	19 057 248	19 057 248
Non-Current Investments	15	24 132 741	21 434 839
Non-Current Operating Lease Asset	20	1 958 197	1 863 211
Long-Term Receivables	16	124 944	354 535
Current Assets		**170 802 927**	**103 512 962**
Inventory	17	5 771 653	7 319 029
Receivables from Exchange Transactions	18	65 521 631	40 152 671
Receivables from Non-Exchange Transactions	19	35 618 087	27 958 412
Unpaid Conditional Government Grants and Receipts	9	2 608 893	5 450 230
Taxes	10	317 503	3 928 276
Current Portion of Long-term Receivables	16	67 067	124 998
Cash and Cash Equivalents	21	60 898 094	18 579 348
Total Assets		**1 162 163 735**	**1 062 083 823**

KNYSNA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 R (Actual)	2014 R (Restated)
REVENUE			
Revenue from Non-exchange Transactions		**376 605 356**	**332 852 504**
Taxation Revenue		**155 653 695**	**143 965 714**
Property taxes	22	155 653 695	143 965 714
Transfer Revenue		**121 987 689**	**129 076 682**
Government Grants and Subsidies - Capital	23	30 963 839	32 916 705
Government Grants and Subsidies - Operating	23	91 023 850	96 159 977
Other Revenue		**98 963 972**	**59 810 109**
Actuarial Gains	4	7 718 838	300 585
Augmentation Fees		1 613 658	1 148 412
Public Contributions and Donations - Contributed Assets		787 339	4 589 070
Third Party Payments (Insurance Claims)		1 765 038	823 737
Fines	24	85 682 544	49 909 949
Stock Adjustments		11 503	65 655
Other Income	27	1 385 052	2 972 700
Revenue from Exchange Transactions		**307 242 074**	**275 872 373**
Property Rates - penalties imposed and collection charges		3 206 682	3 064 682
Service Charges	25	268 691 472	252 537 830
Rental of Facilities and Equipment	26	6 450 312	4 137 807
Interest Earned - external investments		7 756 725	5 944 216
Interest Earned - outstanding debtors		4 631 103	3 617 396
Licences and Permits		1 641 721	1 643 085
Agency Services		2 431 138	2 160 829
Other Income	27	2 263 842	2 084 975
Gain on disposal of Assets	28	10 000 036	327 260
Unamortised discount - Interest		169 042	354 294
Total Revenue		**683 847 430**	**608 724 877**
EXPENDITURE			
Employee related costs	29	179 889 811	163 609 422
Remuneration of Councillors	30	6 474 116	6 239 932
Debt Impairment	31	72 076 137	54 733 380
Collection Cost		972 743	671 622
Depreciation and Amortisation	32	23 797 836	21 778 133
Impairments	33	2 745 542	13 541
Repairs and Maintenance	34	29 206 665	34 924 786
Actuarial losses	4	-	7 623 067
Finance Charges	35	21 070 067	21 310 029
Unamortised discount - Interest		-	3 143
Bulk Purchases	36	128 338 790	123 964 075
Contracted services	37	24 535 758	18 694 212
Grants and Subsidies Paid	38	5 373 278	5 000 691
General Expenses	39	108 343 858	123 023 307
Loss on Disposal of Assets	11	763 730	561 843
Total Expenditure		**603 588 331**	**582 151 184**
NET SURPLUS FOR THE YEAR		**80 259 098**	**26 573 694**

KNYSNA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Employee Benefits Reserve	Non-Current Provisions Reserve	Valuation Roll Reserve	Revaluations Reserve	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R
Balance at 1 July 2013	**6 669 395**	**3 592 636**	**824 000**	**46 625 889**	**3 638 765**	**641 669 709**	**703 020 394**
Correction of errors - Refer to Note 40.11	-	-	-	-	-	7 311 965	7 311 965
Restated Balance at 1 July 2013	**6 669 395**	**3 592 636**	**824 000**	**46 625 889**	**3 638 765**	**648 981 674**	**710 332 359**
Net Surplus for the year	-	-	-		-	26 573 694	26 573 694
Transfer to/from Funding Policy Reserves	874 851	(64 749)	412 000	-	(3 638 765)	2 416 663	-
Revaluation / (Reversal of revaluation) of Property, Plant and Equipment (Correction of error - Refer to note 40.11)	-	-	-	(203 468)	-	203 468	-
Correction of errors - Refer to Note 40.10 and 40.11	(782 254)	-	-	-	-	782 254	-
Restated Balance at 30 June 2014	**6 761 992**	**3 527 887**	**1 236 000**	**46 422 421**	**-**	**678 957 753**	**736 906 053**
Net Surplus for the year	-	-	-	-	-	80 259 098	80 259 098
Transfer to/from Funding Policy Reserves	1 088 042	746 455	412 000	-	25 000 000	(27 246 497)	-
Revaluation / (Reversal of revaluation) of Property, Plant and Equipment	-	-	-	(202 815)	-	202 815	-
Balance at 30 June 2015	**7 850 034**	**4 274 341**	**1 648 000**	**46 219 606**	**25 000 000**	**732 173 170**	**817 165 151**

KNYSNA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 (Actual) R	2014 (Restated) R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from ratepayers, government and other - Exchange Transactions		242 065 233	252 356 079
Cash receipts from ratepayers and other - Non-Exchange Transactions		189 317 401	164 973 459
Cash receipts from government - Non-Exchange Transactions		126 256 977	138 605 035
Interest Received		7 756 725	5 944 216
Payments			
Cash payments to suppliers and employees		(466 161 039)	(472 348 574)
Interest Paid		(12 530 784)	(13 429 725)
Transfers and Grants		(5 373 278)	(5 000 691)
Cash generated by operations	**41**	**81 331 236**	**71 099 798**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(60 253 752)	(70 862 030)
Proceeds on Disposal of Fixed Assets		17 000 037	328 640
Increase in Non-current Investments		(2 697 902)	(2 409 822)
Net Cash from Investing Activities		**(45 951 617)**	**(72 943 212)**
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		14 157 000	-
Loans repaid (Including Refunds)		(6 342 135)	(27 368 468)
Increase in Consumer Deposits		400 523	354 285
Net Cash from Financing Activities		**8 215 388**	**(27 014 182)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**43 595 008**	**(28 857 598)**
Cash and Cash Equivalents at the beginning of the year		17 303 086	46 160 684
Cash and Cash Equivalents at the end of the year	**42**	60 898 094	17 303 086
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**43 595 008**	**(28 857 598)**

KNYSNA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R Actual	2015 R Final Approved Budget	2015 R Variance	Explanations for material variances (>10% with minimum of R1m)
ASSETS				
Current assets				
Cash	24 060 300	1 989 864	22 070 436	Budget adjusted in line with prior year results however due to auction and disposal of assets, cash received results were more than what was anticipated hence additional cash.
Call investment deposits	36 837 794	11 983 213	24 854 581	40% increase on our Equitable share, 2 loans drawn up with financial instituion amounting to R14 million and funds ring-fenced for Housing and R3.5 million disaster money.
Consumer debtors	65 521 631	64 183 154	1 338 476	
Other Receivables	38 544 482	18 101 637	20 442 845	Increase in volume of fines issued.
Current portion of long-term receivables	67 067	124 998	(57 931)	
Inventory	5 771 653	7 467 553	(1 695 900)	Balance fluctuate depending on demand for inventory.
Total current assets	170 802 927	103 850 418	66 952 509	
Non current assets				
Long-term receivables	2 083 141	229 537	1 853 604	Budget did not include operating lease asset.
Investments	24 132 741	22 720 929	1 411 812	Interest for the promisary note calculated at year end. Calculation done at the beginning of financial year are based on last years closing balance. However the final closing balance are provided by investec as at 30 June based on Market value. Interest came more than budget provision.
Investment property	103 320 600	110 320 600	(7 000 000)	Disposal not budgeted for.
Property, plant and equipment	842 739 858	863 897 422	(21 157 564)	Capital Budget not fully utilised resulting in lower figure than anticipated in budget.
Intangible Assets	27 220	750 024	(722 805)	
Heritage Assets	19 057 248	20 920 459	(1 863 211)	Budget not aligned with prior year final balance.
Total non current assets	991 360 808	1 018 838 972	(27 478 164)	
TOTAL ASSETS	1 162 163 735	1 122 689 391	39 474 344	
LIABILITIES				
Current liabilities				
Borrowing	11 015 504	19 208 523	(8 193 019)	Calculations provided in MTREF based on prior year closing balance. Large portion of the loan portfolio have variable interest rates.
Consumer deposits	10 412 909	10 813 377	(400 468)	
Trade and other payables	66 072 342	56 683 806	9 388 536	Significant difference due to unspent grant funding more than anticipated in budget.
Provisions and Employee Benefits	22 544 742	21 320 267	1 224 475	Increase in alien vegetation provision not budgeted for.
Total current liabilities	110 045 496	108 025 973	2 019 523	
Non current liabilities				
Borrowing	118 501 085	99 527 596	18 973 489	Loans approved for 13/14 financial year were only drawn down in July 2014 hence actual reflects more than final budget
Provisions and Employee Benefits	116 452 003	118 292 162	(1 840 159)	Material actuarial gain on post employment benefits not budgeted for.
Total non current liabilities	234 953 088	217 819 757	17 133 330	
TOTAL LIABILITIES	344 998 585	325 845 730	19 152 854	
NET ASSETS	817 165 151	796 843 661	20 321 491	
COMMUNITY WEALTH				
Accumulated Surplus	732 173 170	731 904 955	268 215	Refer to statement of financial performance
Reserves	84 991 982	64 938 706	20 053 275	Reserves largely dependent on availability of cash resources at year end.
TOTAL COMMUNITY WEALTH/EQUITY	817 165 151	796 843 661	20 321 489	

KNYSNA MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R Approved Budget	2015 R Adjustments	2015 R Final Approved Budget	Explanations for material adjustments
ASSETS				
Current assets				
Cash	12 550 905	(10 561 041)	1 989 864	Budget aligned to prior year closing balance also taking into account currrent year income and expenditure projections.
Call investment deposits	15 000 000	(3 016 787)	11 983 213	Budget aligned to prior year closing balance also taking into account currrent year income and expenditure projections.
Consumer debtors	78 373 465	(14 190 311)	64 183 154	Budget aligned to prior year closing balance also taking into account recovery rate assumptions relateing to receivables.
Other Receivables	11 076 863	7 024 774	18 101 637	Additional allocation for fines revenue.
Current portion of long-term receivables	124 566	432	124 998	
Inventory	7 661 394	(193 840)	7 467 553	
Total current assets	124 787 192	(20 936 773)	103 850 419	
Non current assets				
Long-term receivables	2 733 792	(2 504 255)	229 537	Operating lease asset incorrectly removed from budget
Investments	21 981 504	739 425	22 720 929	
Investment property	130 644 500	(20 323 900)	110 320 600	Budget aligned to actuals on 30 June 2014
Property, plant and equipment	839 638 862	24 258 561	863 897 422	Budget aligned to actuals on 30 June 2014
Intangible Assets	900 347	(150 322)	750 024	
Heritage Assets	22 737 630	(1 817 171)	20 920 459	Budget aligned to actuals on 30 June 2014
Total non current assets	1 018 636 635	202 338	1 018 838 972	
TOTAL ASSETS	1 143 423 826	(20 734 435)	1 122 689 391	
LIABILITIES				
Current liabilities				
Borrowing	21 146 752	(1 938 229)	19 208 523	Budget aligned to actuals on 30 June 2014
Consumer deposits	11 265 208	(451 832)	10 813 377	
Trade and other payables	61 480 882	(4 797 076)	56 683 806	Budget aligned to actuals on 30 June 2014
Provisions and Employee Benefits	23 381 613	(2 061 346)	21 320 267	Budget aligned to actuals on 30 June 2014
Total current liabilities	117 274 456	(9 248 483)	108 025 973	
Non current liabilities				
Borrowing	115 779 422	(16 251 827)	99 527 596	Budget aligned to actuals on 30 June 2014
Provisions and Employee Benefits	112 259 592	6 032 570	118 292 162	Budget aligned to actuals on 30 June 2014
Total non current liabilities	228 039 014	(10 219 257)	217 819 757	
TOTAL LIABILITIES	345 313 470	(19 467 740)	325 845 730	
NET ASSETS	798 110 356	(1 266 696)	796 843 661	
COMMUNITY WEALTH				
Accumulated Surplus	712 755 564	19 149 390	731 904 955	Budget aligned to actuals on 30 June 2014
Reserves	85 354 792	(20 416 086)	64 938 706	Budget aligned to actuals on 30 June 2014
TOTAL COMMUNITY WEALTH/EQUITY	798 110 356	(1 266 696)	796 843 661	

KNYSNA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R Actual	2015 R Final Year-end Budget	2015 R Variance	Explanations for material variances (>10% of value with minimum R1m)
REVENUE BY SOURCE				
Property rates	155 653 695	159 457 000	(3 803 305)	Actual results less than projected figures calculated during budgeting process.
Property rates - penalties & collection charges	3 206 682	2 803 750	402 932	
Service charges	268 691 472	267 586 110	1 105 362	
Rental of facilities and equipment	6 450 312	5 029 700	1 420 612	Increase due to rentals being aligned to market rates
Interest earned - external investments	7 756 725	2 346 030	5 410 695	Mainly due to increase in cash levels
Interest earned - outstanding debtors	4 631 103	3 250 000	1 381 103	Largely dependent on interest rates which increased in the current year
Fines	85 682 544	78 111 300	7 571 244	Increase in fines issued over and above that was anticipated during budget process.
Licences and permits	1 641 721	1 997 550	(355 829)	
Agency services	2 431 138	1 800 000	631 138	
Government Grants and Subsidies - Operating	91 023 850	91 990 000	(966 149)	
Other revenue	15 714 311	3 341 000	12 373 311	Largely due to significant actuarial gain. Other revenue could fluctuate significant due to sundry nature of revenue.
Gains on disposal of PPE	10 000 036	250 000	9 750 036	Disposal of investment property not budgeted for (Buffalo Bay).
Total Operating Revenue	**652 883 592**	**617 962 440**	**34 921 152**	
EXPENDITURE BY TYPE				
Employee related costs	179 889 811	180 705 779	(815 968)	
Remuneration of councillors	6 474 116	6 665 000	(190 884)	
Debt impairment	72 076 137	88 195 514	(16 119 377)	Increase in fine revenue resulting in an increase in impairment on fines.
Depreciation & asset impairment	26 543 378	28 198 600	(1 655 222)	Variance mainly due to underspending of capital budget.
Finance charges	21 070 067	14 500 000	6 570 067	Interest on employee benefits and landfill sites not budgeted for as part of finance charges.
Bulk purchases	128 338 790	129 236 000	(897 210)	
Other materials	20 818 658	17 160 990	3 657 668	Due to additional costs incurred in transporting refuse to tipsites more than anticipated as well as more water pump electricity charges incurred for the Desalination plant.
Contracted services	24 535 758	24 309 730	226 028	
Grants and subsidies paid	5 373 278	5 464 000	(90 722)	
Other expenditure	117 704 608	118 916 041	(1 211 433)	Percentage deviation not considered material
Loss on disposal of PPE	763 730	-	763 730	
Total Operating Expenditure	603 588 331	613 351 654	(9 763 323)	
Operating Surplus for the year	49 295 260	4 610 786	44 684 474	
Government Grants and Subsidies - Capital	30 963 839	50 667 300	(19 703 461)	Mainly due to udersponding of capital budget
Net Surplus for the year	**80 259 099**	**55 278 086**	**24 981 013**	

KNYSNA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R	2015 R	2015 R	2015 R	2015 R	
	Original Approved Budget	**Adjustments**	**Final Approved Budget**	**Final Virements**	**Final Year-end Budget**	**Reasons for material adjustments**
REVENUE BY SOURCE						
Property rates	159 457 000	-	159 457 000	-	159 457 000	
Property rates - penalties & collection charges	2 803 750	-	2 803 750	-	2 803 750	
Service charges	272 586 110	(5 000 000)	267 586 110	-	267 586 110	Due to under collection expected by year end as a result of continuous load shedding.
Rental of facilities and equipment	5 029 700	-	5 029 700	-	5 029 700	
Interest earned - external investments	2 346 030	-	2 346 030	-	2 346 030	
Interest earned - outstanding debtors	3 250 000	-	3 250 000	-	3 250 000	
Dividends received	-	-	-	-	-	
Fines	15 111 300	63 000 000	78 111 300	-	78 111 300	iGRAP 1 adjustment not accounted for during original budget
Licences and permits	1 997 550	-	1 997 550	-	1 997 550	
Agency services	1 800 000	-	1 800 000	-	1 800 000	
Government Grants and Subsidies - Operating	68 844 000	23 146 000	91 990 000	-	91 990 000	Additional funding allocated to the municipality from other spheres of government.
Other revenue	3 291 000	50 000	3 341 000	-	3 341 000	
Gains on disposal of PPE	250 000	-	250 000	-	250 000	
Total Operating Revenue	**536 766 440**	**81 196 000**	**617 962 440**	**-**	**617 962 440**	
EXPENDITURE BY TYPE						
Employee related costs	173 706 054	7 584 725	181 290 779	(585 000)	180 705 779	Additional allocation mainly due to overtime.
Remuneration of councillors	6 665 000	-	6 665 000	-	6 665 000	
Debt impairment	25 195 514	63 000 000	88 195 514	-	88 195 514	iGRAP 1 adjustment not accounted for during original budget
Depreciation & asset impairment	28 198 600	-	28 198 600	-	28 198 600	
Finance charges	18 500 000	(4 000 000)	14 500 000	-	14 500 000	Downward adjustment mainly due to 2013/2014 loans not raised in line with expectation.
Bulk purchases	137 236 000	(8 000 000)	129 236 000	-	129 236 000	Downward adjustment as a result of continuous load shedding.
Other materials	16 842 650	847 300	17 689 950	(528 960)	17 160 990	
Contracted services	22 940 730	(185 800)	22 754 930	1 554 800	24 309 730	
Grants and subsidies paid	5 514 000	(50 000)	5 464 000	-	5 464 000	
Other expenditure	105 949 086	13 407 795	119 356 881	(440 840)	118 916 041	Additional funding allocated to the municipality from other spheres of government.
Total Operating Expenditure	540 747 634	72 604 020	613 351 654	-	613 351 654	
Operating Surplus/(Deficit) for the year	(3 981 194)	8 591 980	4 610 786	-	4 610 786	
Government Grants and Subsidies - Capital	39 484 000	11 183 300	50 667 300	-	50 667 300	Additional funding allocated to the municipality from other spheres of government.
Net Surplus for the year	**35 502 806**	**19 775 280**	**55 278 086**	**-**	**55 278 086**	

KNYSNA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	431 382 635	431 427 570	(44 935)	Percentage not considered material
Government Grants	126 256 977	134 446 000	(8 189 023)	Funds not transferred to municipality in line with budgeted figure
Interest	7 756 725	5 596 030	2 160 695	Mainly due to increase in cash resources
Payments				
Suppliers and Employees	(466 161 039)	(464 500 038)	(1 661 001)	
Finance charges	(12 530 784)	(14 500 000)	1 969 216	Loans not taken up during 2013/2014 as
Transfers and Grants	(5 373 278)	(5 464 000)	90 722	
NET CASH FROM OPERATING ACTIVITIES	81 331 236	87 005 562	(5 674 326)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	17 000 037	250 000	16 750 037	Disposal of investment property not budgeted for.
Decrease/(increase) in non-current receivables	-	124 998	(124 998)	
Increase non-current investments	(2 697 902)	(1 286 090)	(1 411 813)	Increase in cash resources and interest rates
Payments				
Capital assets	(60 253 752)	(89 134 300)	28 880 548	Significant underspending of proposed capital budget
NET CASH USED IN INVESTING ACTIVITIES	(45 951 617)	(90 045 393)	44 093 775	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	14 157 000	17 104 500	(2 947 500)	Loans not fully taken up as result of underspending of budget
Increase in consumer deposits	400 523	800 991	(400 469)	
Payments				
Repayment of borrowing	(6 342 135)	(18 195 670)	11 853 535	Refund relating to prior year overpayment not taken into account during budget compilation
NET CASH FROM/(USED) FINANCING ACTIVITIES	8 215 388	(290 179)	8 505 566	
NET INCREASE/(DECREASE) IN CASH HELD	43 595 008	(3 330 009)	46 925 015	
Cash and Cash Equivalents at the beginning of the year	17 303 086	17 303 086	-	
Cash and Cash Equivalents at the end of the year	60 898 094	13 973 076	46 925 017	Underspending of proposed operating and capital budget

KNYSNA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	426 997 691	4 429 879	431 427 570	Receipts adjusted in line with most recent assumptions relating to receivables
Government - operating	68 844 000	17 434 000	86 278 000	Additional funding allocated to the municipality from other spheres of government.
Government - capital	39 484 000	8 684 000	48 168 000	Additional funding allocated to the municipality from other spheres of government.
Interest	5 596 030	-	5 596 030	
Payments				
Suppliers and Employees	(449 058 736)	(15 441 302)	(464 500 038)	Net Increase in projected expenditure as well as adjustment of payables and provisions in line with most recent actuals.
Finance charges	(18 500 000)	4 000 000	(14 500 000)	Downward adjustment mainly due to 2013/2014 loans not raised in line with expectation.
Transfers and Grants	(5 514 000)	50 000	(5 464 000)	
NET CASH FROM OPERATING ACTIVITIES	67 848 985	19 156 577	87 005 562	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	250 000	-	250 000	
Decrease in non-current receivables	114 566	10 432	124 998	
Increase non-current investments	(1 814 987)	528 896	(1 286 090)	
Payments				
Capital assets	(70 173 500)	(18 960 800)	(89 134 300)	Roll-overs on grant funded projects as well as additional Housing grants received
NET CASH USED IN INVESTING ACTIVITIES	(71 623 921)	(18 421 472)	(90 045 393)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	16 057 000	1 047 500	17 104 500	Increase in line with loans expected to be taken up
Increase in consumer deposits	834 460	(33 469)	800 991	
Payments				
Repayment of borrowing	(16 132 000)	(2 063 670)	(18 195 670)	Increase in line with loans expected to be taken up
NET CASH FROM/(USED) FINANCING ACTIVITIES	759 461	(1 049 639)	(290 178)	
NET DECREASE IN CASH HELD	(3 015 475)	(314 534)	(3 330 008)	
Cash and Cash Equivalents at the beginning of the year	30 566 380	(13 263 295)	17 303 086	Adjustment in line with 30 June 2014 actual cash balance
Cash and Cash Equivalents at the end of the year	27 550 905	(13 577 828)	13 973 076	Adjustment in line with expected balance if operating and capital budget is fully implemented

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework , have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial

statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting Regulations format. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements as well as the Statements of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and comparable actual amounts are included the Notes to the Financial Statements. Material differences are being defined by Management as 10% of a specific line-item with a minimum threshold of R1 million.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
Directive 11	**Changes in Measurement Bases following Initial Adoption of Standards of GRAP** This Directive can be applied when a Municipality elects to change the measurement bases selected for certain assets on the initial adoption of Standards of GRAP. No significant impact is expected as the Municipality has no intention of changing its measurement bases at this stage.	**1 April 2015**
GRAP 18 **(Original – Feb 2011)**	**Segment Reporting** The objective of this Standard is to establish principles for reporting financial information by segments. No significant impact is expected. Information on expenditure by vote is already included in the notes to the financial statements.	**Unknown**
GRAP 20 **(Original – June 2011)**	**Related Party Disclosure** The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The Municipality previously resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	**Unknown**
GRAP 32 **(Original – Aug 2013)**	**Service Concession Arrangements: Grantor** The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity. No such transactions or events are expected in the foreseeable future.	**Unknown**
GRAP 105 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Under Common Control** The objective of this Standard is to establish	**1 April 2015**

	accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact expected as no such transactions or events are expected in the foreseeable future.	
GRAP 106 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Not Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**1 April 2015**
GRAP 107 **(Original – Nov 2010)**	**Mergers** The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**1 April 2015**
GRAP 108 **(Original – Sept 2013)**	**Statutory Receivables** The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The Municipality has revolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.	**Unknown**
GRAP 109	**Accounting by Principles and Agents** The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	**Unknown**
IGRAP 11	**Consolidation - Special Purpose Entities (SPE)** The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.	**1 April 2015**

	No significant impact is expected as the Municipality does not have any SPE's at this stage.	
IGRAP 12	**Jointly Controlled Entities non-monetary contributions** The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	**1 April 2015**
IGRAP17	**Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset** This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. No such transactions or events are expected in the foreseeable future.	**Unknown**

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.9.2 Employee Benefits Reserve

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus. The municipality will only start utilising the reserve once the related provision is fully cash-backed.

1.9.3 Non-Current Provisions Reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions. An initial contribution equal to the current provisions, as well as 20% of the prior year balance of the non-current provision is made

until the necessary funding level is obtained. The municipality will only start utilising the reserve once the related provision is fully cash-backed.

1.9.4 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.9.5 Valuation Roll Reserve

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

The contribution to this reserve should be approximately 25% of the anticipated cost of the General Valuation. The Valuation Reserve is increased and the accumulated surplus is debited by a corresponding amount when contributions are made towards the reserve. The reserve is reduced when the reserve is utilised and the accumulated surplus is credited by a corresponding amount.

1.10. LEASES

1.10.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments.

In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The cumulative difference between the straight-lined expenses and actual payments made will give rise to a liability or asset. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a

straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual amount accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset or liability. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.13. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.14. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.15. EMPLOYEE BENEFITS

1.15.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.3 Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

1.15.4 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.15.5 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.15.6 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. The Municipality's performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.15.7 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.15.8 Other Short-term Employee Benefits

When an employee has rendered services to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.16. BORROWING COSTS

The Municipality, as from 1 July 2013 in terms of the changes to the Standard on Borrowing Costs, recognises all borrowing costs as an expense in the period in which they are incurred.

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). It the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment, other than land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.17.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings, including Community Assets, are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Land is not depreciated as it is deemed to have an indefinite useful life.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent that it reverses any credit balance existing in the revaluation surplus in respect of that asset.

1.17.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
Land	None	Indefinite
Buildings	None	100
Infrastructure	Sewerage	10 – 100
	Electricity	10 – 100
	Water	10 – 182
	Roads	10 – 102
	Security Measures	5 – 80
Community Assets	None	5 – 100
Leased Asset	None	3 – 6
Other Assets	Bins and Containers	15
	Other	3 – 100

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
	Office Equipment	2 – 35
	Vehicles and Specialised Vehicles	7 – 50

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.17.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. INTANGIBLE ASSETS

1.18.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or

- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and

- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value at the date of acquisition (the deemed cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.18.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	**Years**
Computer Software	5-10

1.18.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19. INVESTMENT PROPERTY

1.19.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or

supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the property, plant and equipment policy up to the date of change in use.

1.19.2 Subsequent Measurement – Fair Value Model

Investment property is measured annually using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises.

1.19.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.20 HERITAGE ASSETS

1.20.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.20.2 Subsequent Measurement – Revaluation Model

After recognition as an asset, heritage assets are carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date determined using fair value at the reporting date.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in the Statement of Financial Performance.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the Statement of Financial Performance. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.20.3 Depreciation and Impairment

Heritage assets are not depreciated.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable service amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.20.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits or service potential expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.*20.5 Application of deemed cost - Directive 7*

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2012.

1.21 IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information
- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount

of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.21.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information
- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated

replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.22. INVENTORIES

1.22.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.22.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average cost method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both form exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in surplus or deficit in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions (ie concessionary loans).

1.23.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The

subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1 *Receivables*

Receivables are classified as financial assets at amortised cost, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant at the end of each reporting period. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is recognised in the surplus or deficit.

The present value of the estimated future cash flows is discounted at the original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2 *Payables and Annuity Loans*

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3 *Cash and Cash Equivalents*

Cash and Cash Equivalents are initially measured at fair value. Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less

and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.23.2.4 Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

1.23.3 De-recognition of Financial Instruments

1.23.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual right to receive cash flows from the asset have expired, are settled or waived; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

1.23.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, expires or waived.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.24 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.24.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

1.24.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount.
The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequently to reflect any:

(a) interest or other charges that may have accrued on the receivable;
(b) impairment losses; and
(c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in surplus or deficit. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flow. The adjustment shall not result in the carrying amount of the statutory receivable exceeding what the carrying

amount of the receivable would have been had the impairment loss not been recognised at the date the impairment is revised. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in surplus or deficit.

1.24.3 Derecognition

The Municipality derecognises a statutory receivable when:

(a) the rights to the cash flows from the receivable are settled, expire or are waived;

(b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

(c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

(i) derecognise the receivable; and

(ii) recognise separately any rights and obligations created or retained in the transfer.

1.25. REVENUE

1.25.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the offence occurs to the extent that the municipality expects legal entitlement. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and probable that inflow will occur and is not being offset against the related expenses of repairs or renewals of the impaired assets.

All unclaimed deposits are initially recognised as a liability. After 12 months all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.25.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would give rise to an impairment of the receivable and a separate expense to be recognised.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created based on past patterns. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable.

However, when the inflow of cash or cash equivalents is deferred beyond normal payments terms, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction and the amount is material, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.26. RELATED PARTIES

The Municipality previously resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person’s family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality but is not control over those policies.
  - is a member of the management of the Municipality.

(b) An entity is related to the Municipality if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).

- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

(a) are married or live together in a relationship similar to a marriage; or
(b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

(a) all members of the governing body of the Municipality;
(b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
(c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
(d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

(a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker, members of the Mayoral Committee and Councillors.

(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the

Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.27. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.31.1 Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.31.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.31.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides were used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

1.31.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

1.31.5 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.31.6 Revenue Recognition

Accounting Policy 1.25.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.25.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions, specifically whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.31.7 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.31.8 Provision for Clearing of Alien Vegetation

The municipality has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectare and the total size of the land to be cleared. Assessment of the clearing costs is based on quotations from a specialist supplier on an average price provided and is made every second year and adjusted for inflationary in the alternate years.

1.31.9 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.31.10 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.31.11 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

1.31.12 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Value added tax is recognised on the payments basis.

1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

		2015 R	2014 R
2	**NET ASSET RESERVES**		
	RESERVES	84 991 983	57 948 299
	Capital Replacement Reserve	25 000 000	-
	Employee Benefits Reserve	7 850 034	6 761 992
	Non-Current Provisions Reserve	4 274 341	3 527 887
	Revaluations Reserve	46 219 606	46 422 421
	Valuation Roll Reserve	1 648 000	1 236 000
	Total Net Asset Reserves	**84 991 983**	**57 948 299**

Reserves are provided for according to the municipality's Funding and Reserves Policy, which is prepared in accordance with the Municipal Budget and Reporting Regulations. Reserves are not fully cash backed.

Refer to note 43 for more details with regards to the cash position of the municipality

3	**LONG-TERM LIABILITIES**		
	Annuity Loans - At amortised cost	127 007 924	118 820 620
	Local Registered Stock	710 520	710 520
	Capitalised Lease Liability - At amortised cost	1 200 891	38 864
	Balance Previously Reported		222 872
	Correction of Error - Refer to note 40.01		(184 008)
		128 919 335	**119 570 005**
	Less: Current Portion transferred to Current Liabilities	**(11 015 504)**	**(17 601 662)**
	Annuity Loans - At amortised cost	(10 521 472)	(17 562 798)
	Capitalised Lease Liability - At amortised cost	(494 032)	(38 864)
	Balance Previously Reported		(222 872)
	Correction of Error - Refer to note 40.03		184 008
		117 903 831	**101 968 343**
	Plus: Unamortised charges on loans	-	**169 042**
	Balance at beginning of year	169 042	520 193
	Adjustment for the period	(169 042)	(351 151)
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	**117 903 831**	**102 137 385**

The obligations under annuity loans are scheduled below:	**Minimum annuity payments**	
Amounts payable under annuity loans:		
Payable within one year	22 729 311	28 671 111
Payable within two to five years	84 295 049	77 900 214
Payable after five years	102 156 458	83 644 094
	209 180 818	190 215 419
Less: Future finance cost	(82 172 893)	(71 394 798)
Present value of annuity obligations	**127 007 924**	**118 820 620**

The obligations under stock loans are scheduled below:	**Minimum stock loan payments**	
Amounts payable under stock loans:		
Payable within one year	116 881	116 881
Payable within two to five years	1 002 722	1 119 603
	1 119 603	1 236 483
Less: Future finance cost	(409 082)	(525 963)
Present value of stock loan obligations	**710 520**	**710 520**

The obligations under finance leases are scheduled below:	**Minimum lease payments**	
Amounts payable under finance leases:		
Payable within one year	611 930	40 760
Payable within two to five years	764 913	-
	1 376 843	40 760
Less: Future finance cost	(175 952)	(1 896)
Present value of lease obligations	**1 200 891**	**38 864**

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance leases. There are no contingent rents payable nor any restrictions. There are no renewal options.

Leases are secured by property, plant and equipment - Note 11

3 **LONG TERM LIABILITIES (CONTINUED)**

The capitalised lease liability consists of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Konica Minolta	Copiers	10.84%-12.50%	0%	3 Years	01 Oct 2014 - 30 Sept 2017

LOCAL REGISTERED STOCK

The registered stock is issued by the Tshwane Municipality The stock bear interest at 16.45% per annum. Interest associated with stock is paid on an annual basis en the face value of the stock will be fully redeemed on 31 December 2018.

ANNUITY LOANS

Bear interest at rates between 7.20% and 11.98% per annum. Fixed Deposits of R 24 132 741 (2014 - R21 434 839) and Term Deposit of R 9 149 967 (2014 - R 8 660 736) have been pledged to DBSA as guarantees for external loans taken up. (Refer to notes 15 and 21)

4 **EMPLOYEE BENEFITS**	2015 R	2014 R
Post Retirement Benefits - Refer to Note 4.1	81 931 578	80 452 735
Provision for Ex-Gratia Pension Benefits - Refer to Note 4.2	152 435	199 177
Long Service Awards - Refer to Note 4.3	10 666 946	9 720 660
Total Non-current Employee Benefit Liabilities	**92 750 959**	**90 372 572**

Post Retirement Medical Benefits

Balance at beginning of year	82 687 663	67 726 257
Contribution for the year	11 446 807	9 327 982
Expenditure for the year	(2 267 207)	(1 989 643)
Actuarial Loss/(Gain)	(7 585 137)	7 623 067
Total post retirement benefits 30 June	**84 282 126**	**82 687 663**
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(2 350 548)	(2 234 928)
Balance at end of year	**81 931 578**	**80 452 735**

Ex-Gratia Pensions

Balance at beginning of year	238 079	273 322
Contribution for the year	16 339	14 460
Expenditure for the year	(31 388)	(31 428)
Actuarial Gain	(39 647)	(18 275)
Total provision 30 June	**183 383**	**238 079**
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(30 948)	(38 902)
Balance at end of year	**152 435**	**199 177**

Long Service Awards

Balance at beginning of year	10 472 447	9 660 947
Contribution for the year	1 728 246	1 865 660
Expenditure for the year	(489 783)	(771 850)
Actuarial Gain	(94 054)	(282 310)
Total long service 30 June	**11 616 856**	**10 472 447**
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(949 910)	(751 787)
Balance at end of year	**10 666 946**	**9 720 660**

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance at beginning of year	93 398 189	77 660 526
Contribution for the year	13 191 392	11 208 102
Expenditure for the year	(2 788 378)	(2 792 920)
Actuarial Loss/(Gain)	(7 718 838)	7 322 481
Total employee benefits 30 June	**96 082 365**	**93 398 189**
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(3 331 406)	(3 025 617)
Balance at end of year	**92 750 959**	**90 372 572**

4 EMPLOYEE BENEFITS (CONTINUED)

	2015	2014
4.1 Post Retirement Benefits		
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	699	690
Continuation members (e.g. Retirees, widows, orphans)	60	61
Total Members	**759**	**751**

	2015 R	2014 R
The liability in respect of past service has been estimated to be as follows:		
In-service members	49 827 396	49 230 806
Continuation members	34 454 730	33 456 857
Total Liability	**84 282 126**	**82 687 663**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013 R	2012 R	2011 R
Members	67 726 257	63 840 320	53 989 710
Total Liability	**67 726 257**	**63 840 320**	**53 989 710**

	2015 R	2014 R	2013 R	2012 R	2011 R
Experience adjustments were calculated as follows:					
Liabilities: (Gain) / loss	(6 370 000)	3 481 000	(1 472 000)	1 002 000	962 000
Assets: Gain / (loss)	-	-	-	-	-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Hosmed
Key Health.

The Future-service Cost for the ensuing year is estimated to be R 4 016 455 (2014 - R3 953 650), whereas the Interest Cost for the next year is estimated to be R 7 464 953 (2014 - R7 493 157).

Sensitivity Analysis on the future service cost and interest cost

On 30 June 2015

Assumption		Current Service Cost R	Interest Cost R	Total R	% change
Central Assumptions		4 016 500	7 465 000	**11 481 500**	
The effect of movements in the assumptions are as follows:					
Health care inflation	1%	5 074 000	8 864 600	**13 938 600**	21%
Health care inflation	-1%	3 211 100	6 351 000	**9 562 100**	-17%
Discount rate	1%	3 252 900	7 077 600	**10 330 500**	-10%
Discount rate	-1%	5 028 500	7 878 500	**12 907 000**	12%
Post-retirement mortality	-1 year	4 155 700	7 749 900	**11 905 600**	4%
Average retirement age	-1 year	4 255 700	7 835 100	**12 090 800**	5%
Withdrawal Rate	-10%	3 516 500	6 951 100	**10 467 600**	-9%

Sensitivity Analysis on the Accrued Liability

On 30 June 2015

Assumption		In-service members liability R	Continuation members liability R	Total liability R	% change
Central Assumptions		49 827 000	34 455 000	**84 282 000**	
The effect of movements in the assumptions are as follows:					
Health care inflation	1%	61 916 000	37 953 000	**99 869 000**	18%
Health care inflation	-1%	40 461 000	31 416 000	**71 877 000**	-15%
Discount rate	1%	40 604 000	31 464 000	**72 068 000**	-14%
Discount rate	-1%	61 928 000	37 958 000	**99 886 000**	19%
Post-retirement mortality	-1 year	51 594 000	35 861 000	**87 455 000**	4%
Average retirement age	-1 year	53 949 000	34 455 000	**88 404 000**	5%
Withdrawal Rate	-10%	44 105 000	34 455 000	**78 560 000**	-7%

4 EMPLOYEE BENEFITS (CONTINUED)

Key actuarial assumptions used:	2015 %	2014 %
i) Rate of interest		
Discount rate	8.98%	9.18%
Health Care Cost Inflation Rate	8.04%	8.34%
Net Effective Discount Rate	0.87%	0.78%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

	2015 R	2014 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	84 282 126	82 687 663
Net liability	**84 282 126**	**82 687 663**
The liability is wholly unfunded		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	82 687 663	67 726 257
Total expenses	9 179 600	7 338 339
Current service cost	3 953 650	3 366 170
Interest Cost	7 493 157	5 961 812
Benefits Paid	(2 267 207)	(1 989 643)
Actuarial (gains)/losses	(7 585 137)	7 623 067
Present value of fund obligation at the end of the year	84 282 126	82 687 663
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(2 350 548)	(2 234 928)
Balance at end of year	**81 931 578**	**80 452 735**

4.2 Provision for Ex-Gratia Pension Benefits

The Ex-Gratia plans are defined benefit plans. As at year end, 5 (2014 - 6) employees were eligible for Ex-Gratia payments. In-Service members are not eligible.

There is no Future-service Costs as there are no current in-service members eligible for ex-gratia payments, whereas the Interest cost for the next year is estimated to be R12 816 (2014 - R16 339) .

Sensitivity Analysis on the interest cost

On 30 June 2015

Assumption		Interest Cost R	% change
Central assumptions		12 816	
The effect of movements in the assumptions are as follows:			
Discount rate	1%	13 713	7%
Discount rate	-1%	11 809	-8%
Post retirement mortality	-1 year	13 313	4%

4 EMPLOYEE BENEFITS (CONTINUED)

Key actuarial assumptions used:	2015 %	2014 %
i) Rate of interest		
Discount rate	7.62%	7.46%
General increase rate	0.00%	0.00%
Net Effective Discount Rate (increasing pensions)	7.62%	7.46%
Net Effective Discount Rate (level pensions)	7.62%	7.46%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

	2015 R	2014 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	183 383	238 079
Net liability	**183 383**	**238 079**

The liability is wholly unfunded

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	238 079	273 322
Total expenses	(15 049)	(16 968)
Interest Cost	16 339	14 460
Benefits Paid	(31 388)	(31 428)
Actuarial gains	(39 647)	(18 275)
Present value of fund obligation at the end of the year	**183 383**	**238 079**
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(30 948)	(38 902)
Balance at end of year	**152 435**	**199 177**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013 R	2012 R	2011 R
Members	273 322	323 338	458 301
Total Liability	**273 322**	**323 338**	**458 301**

Experience adjustments were calculated as follows:	2015 R	2014 R	2013 R	2012 R	2011 R
Liabilities: (Gain) / loss	(30 590)	10 287	(40 728)	(139 932)	20 815
Assets: Gain / (loss)	-	-	-	-	-

Sensitivity Analysis on the Accrued Liability

On 30 June 2015

Assumption		Total Liability R	% change
Central assumptions		183 383	
The effect of movements in the assumptions are as follows:			
Discount rate	1%	174 238	-5%
Discount rate	-1%	193 617	6%
Post retirement mortality	-1 year	189 898	4%

4.3 Long Service Awards

The Long Service Awards plans are defined benefit plans. As at year end, 699 (2014 - 690) employees were eligible for Long Service Awards.

The Current-service Cost for the ensuing year is estimated to be R 1 055 942 (2014 - R 902 515), whereas the Interest Cost for the next year is estimated to be R 910 784 (2014 - R 825 731).

4 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis on the future service cost and interest cost

On 30 June 2015

Assumption		Current Service Cost R	Interest Cost R	Total R	% change
Central Assumptions		1 055 900	910 800	**1 966 700**	
The effect of movements in the assumptions are as follows:					
General salary inflation	1%	1 159 100	984 500	**2 143 600**	9%
General salary inflation	-1%	965 200	844 900	**1 810 100**	-8%
Discount rate	1%	971 300	945 500	**1 916 800**	-3%
Discount rate	-1%	1 153 700	867 700	**2 021 400**	3%
Average retirement age	-2 years	939 300	790 000	**1 729 300**	-12%
Average retirement age	+2 years	1 166 000	1 027 100	**2 193 100**	12%
Withdrawal Rate	-50%	1 424 100	1 106 000	**2 530 100**	29%

Key actuarial assumptions used:	2015 %	2014 %
i) Rate of interest		
Discount rate	8.17%	8.17%
General Salary Inflation (long-term)	7.17%	7.23%
Net Effective Discount Rate applied to salary-related Long Service Awards	0.93%	0.88%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

	2015 R	2014 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	11 616 856	10 472 447
Net liability	**11 616 856**	**10 472 447**
The liability is wholly unfunded		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	10 472 447	9 660 947
Total expenses	1 238 463	1 093 810
Current service cost	902 515	1 182 907
Interest Cost	825 731	682 753
Benefits Paid	(489 783)	(771 850)
Actuarial gains	(94 054)	(282 310)
Present value of fund obligation at the end of the year	11 616 856	10 472 447
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(949 910)	(751 787)
Balance at end of year	**10 666 946**	**9 720 660**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013 R	2012 R	2011 R
Members	9 660 947	8 567 483	7 101 526
Total Liability	**9 660 947**	**8 567 483**	**7 101 526**

Experience adjustments were calculated as follows:	2015 R	2014 R	2013 R	2012 R	2011 R
Liabilities: (Gain) / loss	213 298	266 842	31 174	(78 461)	561 070
Assets: Gain / (loss)	-	-	-	-	-

4 **EMPLOYEE BENEFITS (CONTINUED)**

Sensitivity Analysis on the Unfunded Accrued Liability

On 30 June 2015

Assumption		Total Liability R	% change
Central assumptions		11 617 000	
The effect of movements in the assumptions are as follows:			
General salary inflation	1%	12 521 000	8%
General salary inflation	-1%	10 808 000	-7%
Discount rate	1%	10 778 000	-7%
Discount rate	-1%	12 572 000	8%
Average retirement age	- 2 Yrs	10 138 000	-13%
Average retirement age	+ 2 Yrs	13 042 000	12%
Withdrawal rates	-50%	14 007 000	21%

4.4 Retirement funds

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, multi-employer plans are defined as defined benefit plans. GRAP 25 also states that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claims that the pensioner data is confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as a defined benefit plan, it will be accounted for as a defined contribution plan. All the disclosures have been made as required in GRAP 25.31.

	2015 R	2014 R
CAPE JOINT PENSION FUND		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in an sound financial position with a funding level of 100.2% (30 June 2013 - 99.2%).		
Contributions paid recognised in the Statement of Financial Performance	433 698	495 965
CAPE RETIREMENT FUND		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 112.6% (30 June 2013 - 105.1%).		
Contributions paid recognised in the Statement of Financial Performance	17 246 763	15 658 734
DEFINED CONTRIBUTION FUNDS		
Council contribute to the Municipal Council Pension Fund which is defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statement of Financial Performance		
Municipal Councillors Pension Fund	94 625	57 409

5 NON-CURRENT PROVISIONS

	2015 R	2014 R
Provision for Rehabilitation of Landfill-Sites	6 983 513	4 034 323
Provision for Clearing of Alien Vegetation	16 717 531	15 789 130
Balance Previously Reported		13 605 111
Correction of error - Refer to note 40.02		2 184 019
Total Non-current Provision Liabilities	**23 701 044**	**19 823 453**

Landfill Sites

Balance at beginning of year	4 034 323	3 858 879
Contribution for the year	204 056	175 444
IGRAP 2 Adjustment	2 745 134	-
Balance at end of year	**6 983 513**	**4 034 323**

The provision is for the rehabilitation of 4 landfill sites and or refuse transfer stations and garden waste recycling sites. The municipality discontinued dumping waste within the municipal area and transport all waste to the Petro SA waste disposal site in Mossel Bay. There is no date determined as yet for the rehabilitation processes.

The contribution to the provision is based on the Contract Price Adjustment Factor for Civil Engineering which is calculated at 5.06% (2014 - 4.55%). All other adjustments are in line with the provisions of IGRAP 2.

Clearing of Alien Vegetation

Balance at beginning of year	15 789 130	14 944 752
Contribution for the year	1 452 621	1 343 568
Expenditure for the year	(524 220)	(499 190)
Balance at end of year	**16 717 531**	**15 789 130**

The provision is for the removal of alien vegetation on the municipality's properties. The removal is an ongoing process and expenditure is incurred on an annual basis according to budgeted provisions. Costs are determined by reference to an average price provided by private parties.

6 CONSUMER DEPOSITS

Electricity	6 212 287	6 086 674
Water	4 200 622	3 925 712
Total Consumer Deposits	**10 412 909**	**10 012 386**
Guarantees held in lieu of Electricity and Water Deposits	928 540	847 114

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

7 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4	2 350 548	2 234 928
Current Portion of Ex-Gratia Pension Provisions - Note 4	30 948	38 902
Current Portion of Long-Service Provisions - Note 4	949 910	751 787
Provision for Performance Bonuses	941 568	881 701
Provision for Annual Bonuses	4 599 935	4 239 660
Provision for Staff Leave	13 671 832	13 173 289
Total Current Employee Benefits	**22 544 742**	**21 320 267**

The movement in current employee benefits are reconciled as follows:

Provision for Performance Bonuses

Balance at beginning of year	881 701	614 715
Contribution to current portion	883 482	769 293
Expenditure incurred	(823 614)	(502 308)
Balance at end of year	**941 567**	**881 701**

Performance bonuses are paid to the Municipal Manager and Section 56 Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

7 CURRENT EMPLOYEE BENEFITS (CONTINUED)

	2015 R	2014 R
Provision for Annual Bonuses		
Balance at beginning of year	4 239 660	3 940 801
Contribution to current portion	8 358 345	7 544 135
Expenditure incurred	(7 998 069)	(7 245 276)
Balance at end of year	**4 599 935**	**4 239 660**

The prior year disclosure was amended, due to the fact that payments of R 356 471 made outside the annual bonus payment run in November 2013 were not disclosed as part of the reconciliation. Both the contribution and expenditure incurred were updated accordingly with no effect on the year end balance.

Annual bonuses are paid to all staff during November of each year. There is no possibility of reimbursement.

Provision for Staff Leave		
Balance at beginning of year	13 173 289	11 195 805
Contribution to current portion	1 772 120	2 653 217
Expenditure incurred	(1 273 577)	(675 734)
Balance at end of year	**13 671 832**	**13 173 289**

Staff leave accrues to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or resign. There is no possibility of reimbursement.

Pension Fund Investment Return Shortfall		
Balance at beginning of year	-	1 978 444
Expenditure incurred	-	(1 978 444)
Balance at end of year	-	-

The Cape Joint Pension Fund's rules determine that the employer must contribute any shortfall if investment revenue does not realise 5%. The fund indicated that the municipality's share of the shortfall must be paid within 1 financial year. This assessment was determined in August 2011 and an agreement was reached during the previous reporting period on the final settlement.

Workman's Compensation Commissioner		
Balance at beginning of year	-	986 855
Contribution to current portion	887 898	1 635 808
Expenditure incurred	(887 898)	(2 622 663)
Balance at end of year	-	-

The amount provided for is in respect of the contribution payable to the Commissioner which is based on the estimated expenditure on staff benefits and for which an assessment was not yet issued by the Commissioner.

8 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	35 678 130	31 394 836
Payments received in advance	6 141 226	5 928 082
Retentions	7 103 422	8 257 719
Hoarding fees	4 058 793	3 184 987
Other payables	1 556 594	2 876 468
Deposits: Other	140 653	178 675
Total Trade Payables	**54 678 818**	**51 820 767**

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

All payables are unsecured.

Other deposits include Hall and Tender Deposits.

9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

	2015 R	2014 R
Unspent Grants	11 393 523	9 965 572
National Government Grants	314 761	562 382
Provincial Government Grants	7 153 649	8 188 446
Other Sources	3 925 114	1 214 744
Less: Unpaid Grants	2 608 893	5 450 230
National Government Grants	827 745	2 066 414
Provincial Government Grants	1 781 148	3 383 816
Total Conditional Grants and Receipts	**8 784 631**	**4 515 342**

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

See also appendix "B" for a reconciliation of grants from other sources. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

10 TAXES

VAT Payable	(8 848 860)	(7 195 490)
Less: Contribution to Provision for impairment of trade receivables from exchange transactions	5 935 754	4 362 159
	(2 913 106)	(2 833 331)
VAT Receivable	3 230 609	6 761 607
Net Vat	**317 503**	**3 928 276**
Balance previously reported		3 024 796
Correction of error - Refer to note 40.09		903 480
Net Vat		**3 928 276**

VAT is payable on the payments basis. Only once payment is received from debtors is VAT paid over to SARS.

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2015

Reconciliation of Carrying Value	Cost							Accumulated Depreciation and Impairments					Accumulated Impairments	Carrying Value
	Opening Balance	Additions	Transfer to completed	Disposals	Transfer	IGRAP 2 Adjustment	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Transfer to cost	Closing Balance	IGRAP 2 Impairment	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	**198 355 086**	**6 936 518**	**1 950**	**-**	**(696 052)**	**-**	**204 597 502**	**-**	**696 052**	**-**	**(696 052)**	**-**	**-**	**204 597 502**
Buildings	42 814 444	6 365 291	1 760 308	-	(696 052)	-	50 243 991	-	696 052	-	(696 052)	-	-	50 243 991
Land	151 388 569	542 479	1 950	-	-	-	151 932 998	-	-	-	-	-	-	151 932 998
Work in Progress	4 152 073	28 748	(1 760 308)	-	-	-	2 420 513	-	-	-	-	-	-	2 420 513
Infrastructure	**703 675 153**	**46 539 520**	**(397 586)**	**(184 634)**	**-**	**-**	**749 632 453**	**183 136 726**	**17 812 046**	**(138 763)**	**-**	**200 810 009**	**-**	**548 822 442**
Sewerage	131 021 434	-	7 046 040	-	-	-	138 067 474	24 877 562	3 368 051	-	-	28 245 613	-	109 821 861
Electricity	186 895 183	-	6 947 666	-		-	193 842 849	41 477 439	4 349 119	-	-	45 826 558	-	148 016 291
Water	195 689 419	-	19 720 337	(184 634)	-	-	215 225 122	51 698 457	5 322 623	(138 763)	-	56 882 317	-	158 342 805
Road	162 163 532	-	11 400 800	-	-	-	173 564 332	64 455 100	4 654 961	-	-	69 110 061	-	104 454 271
Security Measures	2 000 686	-	605 437	-	-	-	2 606 123	628 169	117 292	-	-	745 461	-	1 860 662
Work in Progress	25 904 898	46 539 520	(46 117 866)	-	-	-	26 326 552	-	-	-	-	-	-	26 326 552
Community Assets	**37 837 575**	**1 346 188**	**(1 950)**	**-**	**(379 933)**	**-**	**38 801 880**	**74 464**	**450 839**	**-**	**(379 933)**	**145 370**	**-**	**38 656 510**
Buildings	35 820 372	490 111	-	-	(379 933)	-	35 930 550	-	379 933	-	(379 933)	-	-	35 930 550
Recreational facilities	2 015 253	194 510	-	-	-	-	2 209 763	74 464	70 906	-	-	145 370	-	2 064 392.59
Work in progress	1 950	661 567	(1 950)	-	-		661 567	-	-	-	-	-	-	661 567
Lease Assets	**107 783**	**1 534 465**	**-**	**(107 784)**	**-**	**-**	**1 534 464**	**69 160**	**417 125**	**(105 120)**	**-**	**381 165**	**-**	**1 153 300**
Office Equipment	107 783	1 534 465	-	(107 784)	-	-	1 534 464	69 160	417 125	(105 120)	-	381 165	-	1 153 300
Other Assets	**76 692 919**	**5 431 526**	**397 586**	**(2 354 551)**	**-**	**2 745 134**	**82 912 614**	**27 900 661**	**4 409 989**	**(1 653 274)**	**-**	**30 657 377**	**2 745 134**	**49 510 103**
Bins & Containers	**1 871 931**	**397 964**	**-**	**-**	**-**	**-**	**2 269 895**	**660 813**	**119 838**	**-**	**-**	**780 651**	**-**	**1 489 244**
Bulk Containers	1 871 931	397 964	-	-	-	-	2 269 895	660 813	119 838	-	-	780 651	-	1 489 244
Other Assets	**15 575 615**	**1 685 831**	**397 586**	**(714 530)**	**-**	**2 745 134**	**19 689 636**	**7 741 396**	**1 087 174**	**(519 820)**	**-**	**8 308 750**	**2 745 134**	**8 635 752**
Tip Sites	795 313	-	-	-	-	2 745 134	3 540 447	117 957	7 906	-	-	125 863	2 745 134	669 450
In & Outdoor Sport Facilities	116 677	-	-	-	-	-	116 677	30 622	5 261	-	-	35 883	-	80 794
Other Plant & Equipment	13 439 414	1 053 335	397 586	(657 365)	-	-	14 232 969	7 123 246	941 376	(492 373)	-	7 572 249	-	6 660 720
Laboratory Equipment	375 784	-	-	(11 355)	-	-	364 429	114 740	23 945	(3 466)	-	135 219	-	229 210
Equipment Fire	195 907	1 728	-	-	-	-	197 635	94 538	17 543	-	-	112 081	-	85 554
Lawnmowers	217 289	14 770	-	-	-	-	232 059	86 052	15 478	-	-	101 530	-	130 529
Radio Equipment	435 232	615 998	-	(45 809)	-	-	1 005 420	174 241	75 665	(23 981)	-	225 925	-	779 495
Office Equipment	**17 821 360**	**2 092 364**	**-**	**(1 211 097)**	**-**	**-**	**18 702 627**	**8 162 427**	**1 467 336**	**(909 817)**	**-**	**8 719 946**	**-**	**9 982 682**
Computer Hardware	11 626 308	1 086 478	-	(955 221)	-	-	11 757 565	5 367 039	1 074 900	(730 196)	-	5 711 743	-	6 045 821
Office Machines	1 126 739	471 930	-	(113 991)	-	-	1 484 678	527 361	102 403	(82 665)	-	547 099	-	937 579
Office Furniture	5 068 313	533 956	-	(141 885)	-	-	5 460 385	2 268 027	290 033	(96 956)	-	2 461 103	-	2 999 281
Vehicles	**41 223 514**	**1 255 367**	**-**	**(428 924)**	**-**	**-**	**42 049 957**	**11 336 026**	**1 735 641**	**(223 636)**	**-**	**12 848 030**	**-**	**29 201 927**
Motor Vehicles	2 470 621	-	-	(69 453)	-	-	2 401 168	643 861	177 139	(48 605)	-	772 395	-	1 628 772
Trucks & LDVs	32 823 032	403 407	-	(275 446)	-	-	32 950 993	9 106 374	1 390 685	(143 735)	-	10 353 323	-	22 597 670
Motor Cycles	456 367	-	-	(22 161)	-	-	434 206	186 611	30 794	(14 093)	-	203 312	-	230 894
Tractors	1 783 491	687 000	-	-	-	-	2 470 491	542 273	46 592		-	588 865	-	1 881 626
Trailers	1 876 789	164 960	-	(61 864)	-	-	1 979 885	541 401	48 721	(17 203)	-	572 919	-	1 406 966
Graders	1 813 214	-	-	-	-	-	1 813 214	315 505	41 710		-	357 215	-	1 455 999
Work in Progress	**200 499**	**-**	**-**	**-**	**-**	**-**	**200 499**	**-**	**-**	**-**	**-**	**-**	**-**	**200 499**
	1 016 668 516	**61 788 217**	**-**	**(2 646 969)**	**(1 075 985)**	**2 745 134**	**1 077 478 913**	**211 181 011**	**23 786 051**	**(1 897 157)**	**(1 075 985)**	**231 993 920**	**2 745 134**	**842 739 858**

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

Reconciliation of Carrying Value	Cost							Accumulated Depreciation					Accumulated Impairments	Carrying Value
	Restated Opening Balance	Additions	Transfer to completed	Disposals	Transfer	Transfer to completed	Closing Balance	Restated Opening Balance	Depreciation Charge	Disposals	Transfer	Closing Balance	IGRAP 2 Impairment	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	**184 058 470**	**10 488 832**	**-**	**-**	**3 807 784**	**-**	**198 355 086**	**-**	**500 802**	**-**	**(500 802)**	**-**	**-**	**198 355 086**
Buildings	36 330 145	4 696 515	-	-	1 787 784	-	42 814 444	-	500 802	-	(500 802)	-	-	42 814 444
Land	147 728 325	1 640 244	-	-	2 020 000	-	151 388 569	-	-	-	-	-	-	151 388 569
Work in Progress	-	4 152 073	-	-	-		4 152 073	-	-	-	-	-	-	4 152 073
Infrastructure	**659 454 093**	**47 834 797**	**(837 252)**	**(250 000)**	**(2 526 486)**	**-**	**703 675 152**	**166 538 469**	**16 598 258**	**-**	**-**	**183 136 726**	**-**	**520 538 425**
Sewerage	126 794 243	-	6 007 291	(250 000)	(1 530 100)	-	131 021 434	21 709 274	3 168 287	-	-	24 877 562	-	106 143 872
Electricity	162 628 402	-	24 266 781	-	-	-	186 895 183	37 625 284	3 852 155	-	-	41 477 439	-	145 417 744
Water	186 622 665	-	9 656 324	-	(589 570)	-	195 689 419	46 660 506	5 037 951	-	-	51 698 457	-	143 990 962
Road	154 578 969	-	7 991 379	-	(406 816)	-	162 163 532	60 021 199	4 433 901	-	-	64 455 100	-	97 708 432
Security Measures	1 955 978	-	44 708	-	-	-	2 000 686	522 207	105 963	-	-	628 169	-	1 372 517
Work in Progress	26 873 836	47 834 797	(48 803 735)	-	-	-	25 904 898	-	-	-	-	-		25 904 898
Community Assets	**28 795 735**	**6 869 843**	**837 252**	**-**	**1 334 745**	**-**	**37 837 575**	**32 445**	**373 720**	**-**	**(331 701)**	**74 464**	**-**	**37 763 111**
Buildings	28 217 586	6 268 041	-	-	1 334 745	-	35 820 372	-	331 701	-	(331 701)	-	-	35 820 372
Recreational facilities	578 149	599 852	837 252	-	-	-	2 015 253	32 445	42 019	-	-	74 464	-	1 940 789
Work in progress	-	1 950	-	-	-		1 950	-	-	-	-	-	-	1 950
Lease Assets	**858 127**	**-**	**-**	**(750 344)**	**-**	**-**	**107 783**	**637 633**	**161 161**	**(729 635)**	**-**	**69 160**	**-**	**38 624**
Office Equipment	858 127	-	-	(750 344)	-	-	107 783	637 633	161 161	(729 635)	-	69 160	-	38 624
Other Assets	**71 871 437**	**5 668 558**	**-**	**(1 082 761)**	**235 686**	**-**	**76 692 919**	**24 560 297**	**4 131 991**	**(791 627)**	**-**	**27 900 661**	**-**	**48 792 258**
Bins & Containers	**1 870 831**	**1 100**	**-**	**-**	**-**	**-**	**1 871 931**	**547 619**	**113 194**	**-**	**-**	**660 813**	**-**	**1 211 118**
Bulk Containers	1 870 831	1 100	-	-	-	-	1 871 931	547 619	113 194	-	-	660 813	-	1 211 118
Other Assets	**14 811 603**	**784 615**	**-**	**(35 483)**	**14 881**	**-**	**15 575 615**	**6 768 401**	**994 559**	**(21 564)**	**-**	**7 741 396**	**-**	**7 834 219**
Tip Sites	795 313	-	-	-	-	-	795 313	110 051	7 906	-	-	117 957	-	677 356
In & Outdoor Sport Facilities	87 943	28 734	-	-	-	-	116 677	26 292	4 330	-	-	30 622	-	86 055
Other Plant & Equipment	12 809 864	646 830	-	(32 161)	14 881	-	13 439 414	6 241 497	900 057	(18 308)	-	7 123 246	-	6 316 168
Laboratory Equipment	375 784	-	-	-	-	-	375 784	90 097	24 643	-	-	114 740	-	261 044
Equipment Fire	189 442	6 465	-	-	-	-	195 907	77 081	17 457	-	-	94 538	-	101 369
Lawnmowers	192 660	24 853	-	(224)	-	-	217 289	72 897	13 314	(159)	-	86 052	-	131 237
Radio Equipment	360 597	77 733	-	(3 098)	-	-	435 232	150 486	26 853	(3 097)	-	174 241	-	260 990
Office Equipment	**16 061 332**	**1 779 670**	**-**	**(19 642)**	**-**	**-**	**17 821 360**	**6 855 699**	**1 315 224**	**(8 497)**	**-**	**8 162 427**	**-**	**9 658 933**
Computer Hardware	10 498 976	1 142 834	-	(15 503)	-	-	11 626 308	4 389 743	983 773	(6 477)	-	5 367 039	-	6 259 269
Office Machines	994 059	136 819	-	(4 139)	-	-	1 126 739	441 771	87 610	(2 020)	-	527 361	-	599 378
Office Furniture	4 568 297	500 017	-	-	-	-	5 068 313	2 024 185	243 841	-	-	2 268 027	-	2 800 287
Vehicles	**38 929 532**	**3 100 813**	**-**	**(1 027 636)**	**220 805**	**-**	**41 223 514**	**10 388 578**	**1 709 014**	**(761 566)**	**-**	**11 336 026**	**-**	**29 887 488**
Motor Vehicles	1 354 840	1 474 134	-	(358 353)	-	-	2 470 621	738 730	168 012	(262 880)	-	643 861	-	1 826 759
Trucks & LDVs	31 865 636	1 626 679	-	(669 283)	-	-	32 823 032	8 229 794	1 375 266	(498 686)	-	9 106 374	-	23 716 658
Motor Cycles	456 367	-	-	-	-	-	456 367	154 610	32 001	-	-	186 611	-	269 756
Tractors	1 783 491	-	-	-	-	-	1 783 491	495 930	46 343	-	-	542 273	-	1 241 218
Trailers	1 655 984	-	-	-	220 805	-	1 876 789	495 720	45 682	-	-	541 401	-	1 335 388
Graders	1 813 214	-	-	-	-	-	1 813 214	273 795	41 710	-	-	315 505	-	1 497 709
Work in Progress	**198 139**	**2 360**	**-**	**-**	**-**	**-**	**200 499**	**-**	**-**	**-**	**-**	**-**	**-**	**200 499**
	945 037 863	**70 862 030**	**-**	**(2 083 105)**	**2 851 729**	**-**	**1 016 668 515**	**191 768 846**	**21 765 933**	**(1 521 261)**	**(832 502)**	**211 181 012**	**-**	**805 487 504**

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2015 R	2014 R
Carrying value of property plant and equipment in the course of construction:		
Loose assets	200 499	200 499
Infrastructure	26 326 552	25 904 898
Land and Buildings	2 420 513	4 152 073
Community	661 567	1 950
	29 609 131	**30 259 420**
Assets pledged as security:	**1 153 300**	**38 627**
Third party payments received for losses incurred:		
Payments received (Excluding VAT)	**667 133**	**663 186**

Details of property plant and equipment carried at fair value

The valuations were performed by DDP Valuers and the valuer was Ms C Theron, a Professional Valuer with registration number 6831. The valuation date was 30 June 2015. For the purposes of the 2014/2015 financial year a high-level comparative analysis was performed by DDP Valuers in order to determine the extent of any market changes.

Properties were valued on the comparative sales method of valuation, based on the active market values in the area.

The method used for determining the open market value of the improvements is the accrued depreciation method of valuation. Accrued depreciation is a loss in value from the replacement cost of improvements due to physical deterioration, functional obsolescence and external obsolescence. After identifying and measuring the separate elements of the accrued deprecation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.

Reconciliation of revaluation surplus:

Opening balance	46 422 414	46 625 883
Movement for the period	(202 815)	(203 468)
Closing balance	**46 219 599**	**46 422 414**

12 INVESTMENT PROPERTY

Net Carrying amount at 1 July	**110 320 600**	**110 320 600**
Disposals	(7 000 000)	-
Net Carrying amount at 30 June	**103 320 600**	**110 320 600**
Fair Value	103 320 600	110 320 600
Revenue derived from the rental of investment property	**4 293 011**	**2 260 208**

The ownership of Erf 216/54 Brenton with a fair value of R10,600,000 is the subject of a legal dispute and according to the legal opinion obtained by the Municipality, ownership of this property vests with the Municipality. There are no other restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements. Repairs and maintenance on investment properties amounted to R131 335 (2014 = R82 097) for the year.

The Fair Value of Investment properties was determined by a qualified valuer based on current market prices (Refer to note 11 for details of the valuer, valuation dates, methods and assumptions used).

The disposal relates to erf 65 in Buffelsbaai that was diposed of in the current year for R 19 million (VAT inclusive).

13 INTANGIBLE ASSETS

	2015 R	2014 R
Computer Software		
Net Carrying amount at 1 July	**52 924**	**65 125**
Cost	141 808	141 808
Balance Previously Reported		2 418 860
Correction of Error - Refer to note 40.07		(2 277 052)
Accumulated Amortisation	(88 885)	(76 684)
Balance Previously Reported		(1 426 446)
Correction of Error - Refer to note 40.07		1 349 762
Disposals	(13 918)	-
Cost	(57 800)	-
Accumulated Amortisation	43 882	-
Amortisation	(11 786)	(12 201)
Balance Previously Reported		(192 322)
Correction of Error - Refer to note 40.07		180 121
Net Carrying amount at 30 June	**27 220**	**52 924**
Cost	84 008	141 808
Accumulated Amortisation	(56 789)	(88 885)

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
Website	8 Years	21 671	24 670
Computer software	2 Years	5 549	28 254
		27 220	**52 924**

No intangible assets were assessed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

14 HERITAGE ASSETS

Net Carrying amount at 1 July	**19 057 248**	**22 741 493**
Transfers to Property, Plant and equipment	-	(3 684 245)
Net Carrying amount at 30 June	**19 057 248**	**19 057 248**
Cost	19 057 248	19 057 248
Heritage Assets consist of the following:		
Buildings	3 344 252	3 344 252
Land	15 383 200	15 383 200
Other assets	251 930	251 930
Plant and Equipment	77 866	77 866
Total	**19 057 248**	**19 057 248**

Heritage assets consist mainly of land, historical buildings and monuments older than 50 years.

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There were no third party payments received for losses and impairments incurred.

Refer to Note 11 for details of the date, assumptions and methods of revaluation as well as the details of the valuator.

15 NON-CURRENT INVESTMENTS

	2015 R	2014 R
Unlisted	**24 132 741**	**21 434 839**
Other Fixed Deposits - at amortised cost	24 132 741	21 434 839
Total Non-Current Investments	**24 132 741**	**21 434 839**

The average interest rate was 6.16% (2014 - 5.86%).

Investments made to serve as collateral security for staff housing loans:	-	**17 443**

Non-Current Investments, consisting only out of an Investec Fixed Deposit (Acc 021-941-420) of R 24 132 741 (2014 - R 21 434 839) have been pledged to DBSA as guarantees on external loans taken up.

Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

16 LONG-TERM RECEIVABLES

Land Sales - Morcana Investments	-	194 920
Staff Housing loans - At amortised cost	3 791	6 219
Old Age Homes / Creche - At amortised cost	627 728	687 627
Sundry deposits - At amortised cost	6 800	8 648
Eastford Ridge Public Contributions	4 386	57 018
	642 705	**954 432**
Less: Current portion transferred to current receivables	**(67 067)**	**(124 998)**
Staff Loans - At amortised cost	(2 182)	(3 024)
Old Age Homes - At amortised cost	(60 499)	(64 956)
Eastford Home Owners Associations - At amortised cost	(4 386)	(57 018)
	575 638	829 434
Less: Allowance for Impairment of Long Term Receivables	**(450 693)**	**(474 900)**
Total Long Term Receivables	**124 944**	**354 535**

The allowance for impairment on other debtors (loans and receivables) exists due to the possibility that not all these debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The total amount of the allowance for impairment created is R 450 693 (2014 - R 474 900) and the following loans and receivables are included therein:

Old Age Homes / Creche - At amortised cost	450 693	474 900
Total Allowance for Impairment on Other	**450 693**	**474 900**

Reconciliation of Allowance for Impairment

Balance at beginning of year	474 900	498 865
Reversal of allowance	(24 206)	(23 966)
Balance at end of year	**450 693**	**474 900**

STAFF HOUSING LOANS

Staff housing loans are no longer granted. The outstanding amount relates to prior years and is still collectable. Interest is being charged at 4% per annum and the carrying value equals the discounted amount using the effective interest rate.

OLD AGE HOMES

New loans are not granted to organisations. The loans are repayable over periods up to forty years at a rate of 1% per annum, with the last loan redeemable in 2032.

HOME OWNERS ASSOCIATIONS - EASTFORD

The Home Owners Associations in Eastford agreed with the municipality to contribute an amount towards the cost of building a new road to their developments. The asset vests in the municipality. The agreement provides for a total cost to be contributed by the Associations over a period of maximum 3 years. The amounts stated above represents the balance of the contributions. No discounting is performed as it is regarded as a non-exchange public contribution.

17 INVENTORY

	2015 R	2014 R
Consumable Stores - Stationery and materials - At cost	164 227	1 041 311
Maintenance Materials - At cost	5 145 290	5 862 974
Water - At purification cost	462 137	409 932
Balance previously reported		509 996
Correction of error - Refer to note 40.08		(100 064)
Spare parts - At cost	-	4 812
Total Inventory	**5 771 653**	**7 319 029**
Consumable stores materials written down due to losses as identified during the annual stores counts.	409	13 541
Consumable stores materials surpluses identified during the annual stores counts.	11 503	65 655
Inventory recognised as an expense during the year	21 452 207	24 501 759
Dormant and slow moving inventory at year-end	105 032	68 524

No inventory assets were pledged as security for liabilities.

18 RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2015	GROSS BALANCES R	ALLOWANCE FOR IMPAIRMENTS R	NETT BALANCES R
Electricity	30 195 231	5 487 697	24 707 535
Water	29 519 416	18 320 016	11 199 399
Rentals	5 429 629	5 126 884	302 746
Refuse	11 030 686	8 027 156	3 003 530
Sewerage	10 175 192	7 565 213	2 609 979
Other Arrears	27 741 457	4 043 015	23 698 442
Total : Trade receivables from exchange transactions	**114 091 612**	**48 569 981**	**65 521 631**

As at 30 June 2014	GROSS BALANCES R	ALLOWANCE FOR IMPAIRMENTS R	NETT BALANCES R
Electricity	27 481 532	4 577 696	22 903 836
Water	20 613 989	11 756 573	8 857 417
Rentals	4 357 166	4 100 530	256 636
Refuse	8 083 030	5 923 819	2 159 212
Sewerage	7 074 029	5 031 029	2 042 999
Other Arrears	7 444 136	3 511 564	3 932 572
Total : Trade receivables from exchange transactions	**75 053 882**	**34 901 211**	**40 152 671**
Balance previously reported	75 713 848	32 296 594	43 417 254
Correction of Error - Refer to note 40.05	(659 966)	2 604 617	(3 264 583)
Total : Trade receivables from exchange transactions	**75 053 882**	**34 901 211**	**40 152 671**

Ageing of Receivables from Exchange Transactions	2015 R	2014 R
Electricity: Ageing		
Current (0 - 30 days)	20 008 805	18 126 451
31 - 60 Days	3 485 060	3 514 955
61 - 90 Days	1 087 126	1 195 642
+ 90 Days	5 614 240	4 644 484
Total	**30 195 231**	**27 481 532**
Water: Ageing		
Current (0 - 30 days)	4 167 060	3 487 969
31 - 60 Days	1 882 265	1 507 802
61 - 90 Days	1 685 275	844 184
+ 90 Days	21 784 817	14 774 034
Total	**29 519 416**	**20 613 989**
Refuse: Ageing		
Current (0 - 30 days)	941 110	820 779
31 - 60 Days	434 654	303 332
61 - 90 Days	499 567	211 720
+ 90 Days	9 155 355	6 747 199
Total	**11 030 686**	**8 083 030**

18 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

	2015 R	2014 R
Sewerage: Ageing		
Current (0 - 30 days)	669 209	563 148
31 - 60 Days	331 644	233 541
61 - 90 Days	388 970	167 774
+ 90 Days	8 785 369	6 109 566
Total	**10 175 192**	**7 074 029**
Rentals: Ageing		
Current (0 - 30 days)	259 044	252 810
31 - 60 Days	119 927	114 457
61 - 90 Days	112 640	73 560
+ 90 Days	4 938 018	3 916 339
Total	**5 429 629**	**4 357 166**
Other: Ageing		
Current (0 - 30 days)	22 086 059	2 133 039
31 - 60 Days	163 445	212 289
61 - 90 Days	158 517	152 871
+ 90 Days	5 333 435	4 945 936
Total	**27 741 456**	**7 444 136**

The significant increase in Other Receivables (Current) can be attributed to the sale of investment property in the current year.

Total: Ageing		
Current (0 - 30 days)	48 131 287	25 384 197
31 - 60 Days	6 416 995	5 886 376
61 - 90 Days	3 932 095	2 645 752
+ 90 Days	55 611 234	41 137 558
Total	**114 091 611**	**75 053 882**
Reconciliation of the Total allowance for impairment		
Balance at beginning of the year	34 901 211	22 683 402
Contributions to allowance	14 007 978	13 318 344
Doubtful debts written off against allowance	(339 208)	(1 100 536)
Balance at end of year	**48 569 981**	**34 901 211**

Summary of Receivables by Customer Classification	**Residential, Industrial & Commercial R**	**Other Debtors R**	**National and Provincial Government R**	**Total R**
30 JUNE 2015				
Total Receivables	82 133 834	30 275 600	1 682 178	114 091 612
Less: Allowance for impairment	(47 619 844)	(950 137)	-	(48 569 981)
Total Recoverable debtors by customer classification	**34 513 990**	**29 325 463**	**1 682 178**	**65 521 631**

Summary of Receivables by Customer Classification	**Residential, Industrial & Commercial R's**	**Other Debtors R's**	**National and Provincial Government R's**	**Total R's**
30 JUNE 2014				
Total Receivables	72 527 652	1 331 635	1 194 595	75 053 882
Less: Allowance for impairment	(34 066 399)	(834 812)	-	(34 901 211)
Total Recoverable debtors by customer classification	**38 461 252**	**496 824**	**1 194 594**	**40 152 671**

19 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2015 R	2014 R
Other Receivables		
Rates	44 161 051	42 942 013
Other	108 642 661	44 561 434
Traffic fines income due	107 317 655	42 777 610
Balance previously reported		39 844 665
Correction of error - Refer to note 40.04		2 932 945
Year end debtors automated debit orders	1 130	4 984
Miscellaneous	1 323 876	1 778 840
Total Other Receivables	**152 803 713**	**87 503 447**
Less: Allowance for Impairment	(117 185 626)	(59 545 035)
Balance previously reported		(54 680 835)
Correction of error - Refer to note 40.04		(4 864 201)
Net Other Receivables	**35 618 087**	**27 958 412**
Total Net Receivables from Non-Exchange Transactions	**35 618 087**	**27 958 412**
Ageing of Receivables from Non-Exchange Transactions		
Rates: Ageing		
Current (0 - 30 days) - Restated 2013	8 152 107	6 859 521
31 - 60 Days	2 241 752	1 920 460
61 - 90 Days	1 394 338	1 170 143
+ 90 Days	32 372 854	32 991 889
Total	**44 161 051**	**42 942 013**
Other: Ageing		
Current (0 - 30 days)	5 468 556	7 851 979
31 - 60 Days	4 729 850	4 556 380
61 - 90 Days	6 885 700	4 643 880
+ 90 Days	91 558 555	27 509 195
Total	**108 642 661**	**44 561 434**
Reconciliation of the Total Allowance for Impairment		
Balance at beginning of the year	59 545 035	18 366 226
Contributions to allowance	59 665 960	43 021 464
Doubtful debts written off against allowance	(2 025 369)	(1 842 655)
Balance at end of year	**117 185 626**	**59 545 035**
The Allowance for Impairment can be allocated to the following classes of receivables		
Rates	25 024 743	23 973 712
Fines	92 160 883	35 571 323
	117 185 626	**59 545 035**

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

In terms of the requirements of GRAP 23 and IGRAP1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue. The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. This is considered to be a subsequent event. The provision for impairment is based on current and past collection rates applicable to fines. Any fine reductions or cancellations subsequent to the financial year-end is recorded as a write off against the provision raised.

All Non-Government debtors were either specifically impaired or subject to collective impairment.

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.

20 OPERATING LEASE ARRANGEMENTS

20.1 The Municipality as Lessee

Balance at beginning of year	847 444	979 371
Movement during the year	(250 190)	(131 927)
Balance at end of year	**597 254**	**847 444**

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	4 280 409	4 029 319
1 to 5 Years	1 150 173	5 430 582
Total Operating Lease Arrangements	**5 430 582**	**9 459 901**

The municipality did not pay any contingent rent during the year

The municipality does not engage in any sub-lease arrangements.

20 OPERATING LEASE ARRANGEMENTS (CONTINUED)

	2015 R	2014 R
20.2 The Municipality as Lessor		
Balance at beginning of year	1 863 211	1 839 185
Movement during the year	94 986	24 026
Balance at end of year	**1 958 197**	**1 863 211**

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	1 261 636	1 171 517
1 to 5 Years	1 122 530	2 265 508
More than 5 Years	11 658 340	11 776 998
Total Operating Lease Arrangements	**14 042 506**	**15 214 021**

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for periods ranging until 2088.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

21 CASH AND CASH EQUIVALENTS

Assets		
Call Investments Deposits	36 837 794	17 983 213
Primary Bank Account	23 000 094	-
Secondary Bank Accounts	1 046 286	584 215
Cash Floats	13 920	11 920
Total Cash and Cash Equivalents - Assets	**60 898 094**	**18 579 348**
Liabilities		
Primary Bank Account	-	1 276 262
Total Cash and Cash Equivalents - Liabilities	**-**	**1 276 262**

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value due to the short term nature of the balances. Outstanding cheques are included in Cash and Cash Equivalents.

Call Investment Deposits to an amount of R 11 393 523 are held to fund the Unspent Conditional Grants (2014 - R 9 965 572). Refer to Note 9.

Call Deposits of R R 9 149 967 (2014 - R 8 660 736) have been pledged to DBSA as guarantees on external loans taken up. Refer to Note 3.

The municipality has the following bank accounts:

Current Accounts		
Nedbank - Account Number 1626561826 (Primary Bank Account):	23 000 094	(1 276 262)
Nedbank - Account Number 1626561834 (Secondary Account):	529 317	583 946
Nedbank - Account Number 1626571139 (Tertiary Account - SARS VAT Receipts):	516 969	270
	24 046 381	**(692 047)**
Nedbank - Account Number 1626561826 (Primary Bank Account):		
Cash book balance at beginning of year	(1 276 262)	22 416 617
Cash book balance at end of year	23 000 094	(1 276 262)
Bank statement balance at beginning of year	6 601 852	32 034 152
Bank statement balance at end of year	32 470 510	6 601 852
Nedbank - Account Number 1626561834 (Secondary Account):		
Cash book balance at beginning of year	583 946	456 682
Cash book balance at end of year	529 317	583 946
Bank statement balance at beginning of year	641 350	509 842
Bank statement balance at end of year	620 079	641 350
Nedbank - Account Number 1626571139 (Tertiary Account):		
Cash book balance at beginning of year	270	380
Cash book balance at end of year	516 969	270
Bank statement balance at beginning of year	270	380
Bank statement balance at end of year	516 969	270

21 **CASH AND CASH EQUIVALENTS (CONTINUED)**

	2015 R	2014 R
Call Investment Deposits		
Call investment deposits consist of the following accounts:		
Nedbank - 03/7881531940/54 - Ceded DBSA	9 149 967	8 660 736
Nedbank - 03/7881078170/09	6 839 400	-
Nedbank Retail - 36294875-9998	-	4 503 445
ABSA - 20744777257	7 496 287	-
Old Mutual - 111249865	-	4 794 194
Old Mutual - 500169387	6 795 689	-
Standard Bank - 288567420-001	25 261	24 443
Standard Bank - 288567420-007	6 511 932	-
Standard Bank - 288567420-008	18 841	-
Investec - 021941-501	417	395
	36 837 794	**17 983 213**
Guarantees Issued		
In respect of a connection deposit to a bulk water pump station with Eskom Holdings Limited.	156 100	156 100

22 **PROPERTY TAXES**

Actual

Rateable Land and Buildings	**178 705 593**	**166 008 040**
Domestic	123 652 416	115 201 010
Accommodation	19 707 227	18 171 043
Commercial	19 253 003	18 079 865
Church	1 376 597	1 268 025
Light Industrial	4 657 827	4 314 858
Agricultural / Rural	1 131 681	678 422
State	6 567 461	6 117 628
Other - Pensioners etc.	2 359 381	2 177 189
Less: Rebates	**(23 051 898)**	**(22 042 326)**
Total Assessment Rates	**155 653 695**	**143 965 714**

Valuations - 30 June	2015 R'000	2014 R'000
Rateable Land and Buildings	**26 988 924**	**25 834 701**
Domestic	20 017 914	19 840 036
Accommodation	2 382 551	2 474 736
Commercial	1 552 425	1 512 804
Church	114 090	112 990
Light Industrial	380 182	385 322
Agricultural / Rural	1 540 370	485 503
State	536 192	536 192
Public benefit	16 390	18 570
Public Infrastructure	9 098	9 091
Municipal	331 555	389 105
Others	108 157	70 352
Total Assessment Rates	**26 988 924**	**25 834 701**

Assessment Rates are levied on the fair market value basis. The last valuation came into effect on 1 July 2012. Revaluations will be undertaken in terms of the Municipal Property Rates Act. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the rand for domestic properties of R 0.0061224 was charged on the total market value. Businesses were charged at a rate of R 0.0122448 on the total market value.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R100,000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one percent.

Rates are levied monthly and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly instalments.

23 GOVERNMENT GRANTS AND SUBSIDIES

	2015 R	2014 R
Unconditional Grants	**44 754 000**	**35 982 000**
Equitable Share - Refer to Note 23.01	44 754 000	35 982 000
Conditional Grants	**77 233 689**	**93 094 682**
National FMG Grant	1 688 175	1 061 825
National MIG Grant	23 223 431	23 690 622
National MSIG Grant	934 000	890 000
National INEP Grant	1 167 286	6 778 789
National Extended Public Works Program (EPWP)	1 028 061	990 554
District - Municipal Disaster Recovery	855 920	-
Provincial Housing Grant	43 157 593	56 116 252
Provincial Other Grants	5 179 223	3 559 419
Other Organisational Grants	-	7 221
Total Government Grants and Subsidies	**121 987 689**	**129 076 682**
Government Grants and Subsidies - Capital	30 963 839	32 916 705
Government Grants and Subsidies - Operating	91 023 850	96 159 977
	121 987 689	**129 076 682**

The municipality does not expect any significant changes to the level of grants.

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share	44 754 000	35 982 000
Community Services	7 524 949	9 078 957
Corporate Services	526 801	413 921
Electricity	2 551 937	7 310 492
Finance	3 380 758	2 308 293
Planning	44 452 770	57 093 318
Technical	18 796 475	16 889 701
	121 987 689	**129 076 682**

23.01 *Equitable share*

	44 754 000	**35 982 000**

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

23.02 *National: Finance Management Grant (FMG)*

Balance unspent at beginning of year	238 175	-
Current year receipts	1 450 000	1 300 000
Conditions met - transferred to revenue	(1 688 175)	(1 061 825)
Unspent Conditional Government Grants and Receipts	**-**	**238 175**

The FMG grant is a conditional grant to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

23.03 *National: Municipal Infrastructure Grant (MIG)*

Balance due at beginning of the year	(1 233 698)	(788 076)
Current year receipts	23 648 000	23 245 000
Conditions met - transferred to revenue	(23 223 431)	(23 690 622)
Unpaid Conditional Government Grants and Receipts	**(809 129)**	**(1 233 698)**

The MIG grant is a conditional grant to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

23.04 *National: Municipal Systems Improvement Grant (MSIG)*

Current year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
Unspent Conditional Government Grants and Receipts	**-**	**-**

The MSIG grant is a conditional grant to assist Municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation.

23 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

		2015 R	2014 R
23.05	***National: Integrated National Electrification Program Grant (INEP)***		
	Balance due at beginning of the year	(832 714)	(53 925)
	Current year receipts	2 000 000	6 000 000
	Conditions met - transferred to revenue	(1 167 286)	(6 778 789)
	Unpaid Conditional Government Grants and Receipts	**-**	**(832 714)**

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

23.06	***National: Extended Public Works Program (EPWP)***		
	Balance unspent at beginning of year	9 446	-
	Current year receipts	1 000 000	1 000 000
	Conditions met - transferred to revenue	(1 028 061)	(990 554)
	Unspent (Unpaid) Conditional Government Grants and Receipts	**(18 615)**	**9 446**

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

23.07	***Provincial - Integrated Housing & Human Settlements Grant***		
	Balance due at beginning of the year	(3 383 816)	(5 433 080)
	Current year receipts	44 800 391	58 165 515
	Conditions met - transferred to revenue	(43 157 593)	(56 116 252)
	Unpaid Conditional Government Grants and Receipts	**(1 741 018)**	**(3 383 816)**

The housing allocation is a conditional grant to support the creation of sustainable human settlements that enables and improved quality of household life, provision of basic infrastructure, top structures and basic social and economic amenities.

23.08	***Provincial - Other Provincial Grants***		
	Balance unspent at beginning of the year	8 188 445	344 835
	Current year receipts	4 104 296	11 166 600
	Transfer from Other Organisational Grants - Note 23.11	-	236 429
	Conditions met - transferred to revenue	(5 179 223)	(3 559 420)
	Unspent Conditional Government Grants and Receipts	**7 113 518**	**8 188 445**

The other provincial grants is mainly allocated to provide financial Assistance to municipalities to improve overall financial governance within municipalities, improving credibility and responsiveness of municipal budgets, improving audit outcomes and addressing institutional challenges, to cover operational and capital costs pertaining to the line functions of CDW's, to ensure functional and compliant performance management systems. The unspent portion relates to conditions not yet met at year-end.

23.09	***District - EDEN District Municipal Grants***		
	Balance unspent at beginning of year	1 005 920	150 000
	Current year receipts	3 566 290	855 920
	Conditions met - transferred to revenue	(855 920)	-
	Unspent Conditional Government Grants and Receipts	**3 716 290**	**1 005 920**

The unspent EDEN grant comprise an amount received and to be utilised for a Knysna Survey Project (2011) as well as a grant for disaster programs. The unspent portion relates to conditions not yet met at year-end.

23.10	***Other Spheres of Government Grants***		
	Balance unspent at beginning of year	314 761	314 761
	Unspent Conditional Government Grants and Receipts	**314 761**	**314 761**

This unspent Grant is from Masibambane (DWA) and to be utilised for the continued development of Asset Maintenance Plans. The unspent portion relates to conditions not yet met at year-end.

23 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

	2015 R	2014 R
23.11 *Other organisational grants*		
Balance unspent at the beginning of the year	208 824	452 475
Transfer to Provincial Grants - Note 23.08	-	(236 429)
Conditions met - transferred to revenue	-	(7 221)
Unspent Conditional Government Grants and Receipts	**208 824**	**208 824**

Grants from Other Organisations used for sports facilities, capacity building. The unspent portion relates to conditions not yet met at year-end.

23.12 *Changes in levels of government grants*

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2012), no significant changes in the level of operating government grant funding are expected over the forthcoming 3 financial years. Capital grants are allocated annually in the Division of Revenue Act , (Act 5 of 2012), and can change significantly.

24 FINES

Traffic Fines	85 621 414	49 853 728
Other Fines	61 130	56 221
Total Fines	**85 682 544**	**49 909 949**

In terms of the requirements of GRAP 23 and IGRAP1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue.

25 SERVICE CHARGES

Electricity	187 010 092	181 657 313
Service Charges	190 767 036	185 118 124
Less: Rebates	(3 756 945)	(3 460 811)
Water	52 341 170	44 044 005
Service Charges	60 606 803	51 777 151
Less: Rebates	(8 265 633)	(7 733 146)
Refuse removal	15 030 152	14 035 212
Service Charges	16 218 580	15 213 386
Less: Rebates	(1 188 428)	(1 178 174)
Sewerage and Sanitation Charges	11 816 756	10 789 567
Service Charges	13 056 878	11 980 890
Less: Rebates	(1 240 122)	(1 191 323)
Other Service Charges	2 493 303	2 011 733
Total Service Charges	**268 691 472**	**252 537 830**

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

26 RENTAL OF FACILITIES AND EQUIPMENT

Hire of Halls	99 323	145 507
Rental Caravan Park	536 971	410 165
Hire of Equipment	26 889	28 101
Rental Land and Buildings	5 388 089	3 136 883
Bulk Containers	399 041	417 151
Total Rental of Facilities and Equipment	**6 450 312**	**4 137 807**

27 OTHER INCOME

Administration fees	246 931	235 865
Parking fees	68 087	76 469
Penalty disconnection fees	187 469	244 167
Sundries	2 788 708	4 201 170
Valuation certificates	201 656	170 832
Sale of refuse bags	156 042	129 171
Total Other Income	**3 648 894**	**5 057 675**
Disclosed as:		
Other Income - Non Exchange Revenue	1 385 052	2 972 700
Other Income - Exchange Revenue	2 263 842	2 084 975
	3 648 894	**5 057 675**

28 GAIN ON DISPOSAL OF ASSETS

The gain on disposal of assets can mainly be attributed to the disposal Investment Property (Erf 65 Buffels Baai) - Refer to note 12

29 EMPLOYEE RELATED COSTS

	2015 R	2014 R
Employee Related Costs - Salaries and Wages	110 264 498	98 134 887
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	31 102 556	28 589 735
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	11 486 422	10 997 476
Housing Benefits and Allowances	1 822 472	1 700 112
Overtime Payments	9 343 752	8 671 487
Performance Bonuses	883 482	769 293
Bonuses	8 358 345	7 544 135
Provision for leave	1 772 120	2 653 217
Contribution to provision - Long Service Awards - Note 4	902 515	1 182 909
Contribution to provision - Post Retirement Medical - Note 4	3 953 650	3 366 170
	179 889 811	**163 609 422**
Less: Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	**179 889 811**	**163 609 422**

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - Ms L Waring (July 2014 to November 2014)

Annual Remuneration	439 652	981 850
Car Allowance	25 000	60 000
Performance Bonus - 2013/2014	171 330	-
Performance Bonus - 2012/2013	-	160 361
Correction of Performance Bonus - 2011/2012	-	9 810
Telephone Allowance	8 899	20 034
Contributions to UIF, Medical and Pension Funds	80 130	179 039
Leave pay	-	84 397
Total	**725 010**	**1 495 492**

Remuneration of the Municipal Manager - Mr G Easton (April 2015 to June 2015)

Annual Remuneration	280 289	-
Car Allowance	9 000	-
Telephone Allowance	5 059	-
Contributions to UIF, Medical and Pension Funds	46 249	-
Total	**340 597**	**-**

Remuneration of the Director Planning & Development - M Maughan- Brown

Annual Remuneration	984 520	968 384
Car Allowance	66 000	42 000
Performance Bonus - 2013/2014	141 704	-
Performance Bonus - 2012/2013	-	48 183
Performance Bonus - 2012/2013 (Acting Director Planning & Development)	-	18 761
Telephone allowance	20 237	18 984
Contributions - UIF, Medical, Pension	30 375	1 785
Total	**1 242 835**	**1 098 098**

Remuneration of the Director Technical Services - M Rhode

Annual Remuneration	1 050 273	904 677
Car Allowance	62 400	62 400
Pro Rata Performance Bonus - 2012/2013	-	8 909
Performance Bonus - 2013/2014	114 225	-
Telephone allowance	20 237	18 984
Contributions - UIF, Medical, Pension	1 785	1 785
Total	**1 248 920**	**996 756**

Remuneration of Acting Directors - Technical Services

Acting Allowance - R Parry	-	14 110
Performance Bonus - R Parry	-	18 803
Pro Rata Performance Bonus - 2011/2012 - S Maree	-	22 563
Total	**-**	**55 476**

Remuneration of the Acting Director - Planning and Development

Acting Allowance - E Phillips	-	14 526
	-	**14 526**

29 EMPLOYEE RELATED COSTS (CONTINUED)

	2015 R	2014 R
Remuneration of the Director Corporate Services - B Ellman		
Annual Remuneration	792 372	703 772
Performance Bonus - 2013/2014	98 758	-
Performance Bonus - 2012/2013	-	30 812
Telephone Allowance	20 237	18 984
Acting Allowance as Municipal Manager	-	45 833
Settling in allowance	-	35 344
Contributions - UIF, Medical, Pension	166 390	159 310
Total	**1 077 757**	**994 055**
Remuneration of the Director Financial Services - G Easton		
Annual Remuneration	916 892	1 142 457
Car Allowance	27 000	36 000
Telephone Allowance	15 178	23 917
Performance Bonus - 2013/2014	169 879	-
Performance Bonus - 2012/2013	-	159 003
Contributions to UIF, Medical and Pension Funds	27 967	31 395
Total	**1 156 915**	**1 392 772**
Remuneration of Acting Director - Financial Services		
Acting Allowance - W Fillies	162 127	-
Total	**162 127**	**-**
Remuneration of the Acting Director - Corporate Services		
Performance Bonus - 2012/2013 - G Tyelela	-	8 599
Total	**-**	**8 599**
Remuneration of the Director Community Services - D Adonis		
Annual Remuneration	706 636	658 723
Car Allowance	96 000	96 000
Telephone Allowance	19 188	18 000
Performance Bonus as Acting Director Planning & Development - 2012/2013	-	9 009
Performance Bonus - 2013/2014	127 719	-
Contributions to UIF, Medical and Pension Funds	172 370	159 044
Total	**1 121 913**	**940 776**
Remuneration of Acting Directors - Community Services		
Acting Allowance - J Jaftha	-	5 221
Acting Allowance - S Langlands	-	15 985
Performance Bonus - S Landlands	-	7 494
Total	**-**	**28 700**

30 REMUNERATION OF COUNCILLORS

Executive Mayor	698 694	698 694
Executive Deputy Mayor	563 129	563 129
Speaker	557 713	563 129
Councillors	3 305 644	2 914 809
Mayoral Committee	1 348 937	1 500 172
Total Councillors' Remuneration	**6 474 116**	**6 239 932**

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

The Mayoral Committee consists of the Executive Mayor, the Executive Deputy Mayor and 3 more members who earn on average R 449 646 (2014 - R500 057) per annum. The remaining 13 Councillors earn on average R 254 280 (2014 - R224 216) per annum.

The DA Councillors opted not to receive their salary increase payments for the year but instead utilised the cost thereof on donations and grants

31 DEBT IMPAIRMENT

	2015 R	2014 R
Long Term Receivables - Refer to note 16	(24 206)	(23 966)
Receivables from exchange transactions - Refer to note 18	14 007 978	13 318 344
Receivables from non-exchange transactions - Refer to note 19	59 665 960	43 021 464
Contribution from VAT - Refer to note 10	(1 573 594)	(1 582 463)
Total Contribution to Impairment Provision	**72 076 137**	**54 733 380**
Impairment of traffic fines included above	**58 486 075**	**37 340 492**

32 DEPRECIATION AND ASSET IMPAIRMENT

Property Plant and Equipment	23 786 051	21 765 933
Intangible Assets	11 786	12 201
Total Depreciation and Asset Impairment	**23 797 837**	**21 778 134**

33 IMPAIRMENTS

Stock impaired	409	13 541
Property, Plant & Equipment	2 745 134	-
Total Impairments	**2 745 542**	**13 541**

The impairment loss recognised for Property Plant and Equipment relates to rehabilitation cost associated with landfill sites capitalised in terms of IGRAP 2. The portion being impaired relates to the fact that all landfill sites in the municipality already reaching the end of its useful life. No further economic benefits is expected from these assets capitalised.

34 REPAIRS AND MAINTENANCE

Buildings	2 696 093	2 149 689
Bulk Containers	442 236	-
Computer Equipment	250 124	180 309
Computer Software	826 870	907 677
Desalination plant	1 456 871	1 706 452
Electricity: Infrastructure	4 116 126	6 291 560
Grounds and Gardens	295 782	211 707
Housing	-	3 901 933
Office Furniture & Equipment	48 938	53 976
Parks	356 621	405 657
Plant & Equipment	675 711	1 311 856
Roads and Stormwater: Infrastructure	6 110 059	9 196 233
Sewerage: Infrastructure	3 599 597	2 186 791
Sports Grounds	244 595	197 683
Telemetry	379 389	167 261
Traffic Signs and Lights	212 322	99 779
Vehicles	4 483 319	4 468 920
Water: Infrastructure	2 994 012	1 427 693
Other	18 000	59 611
Total Repairs and Maintenance	**29 206 665**	**34 924 786**

35 FINANCE CHARGES

Long-term liabilities	12 530 784	14 475 560
Annuity Loans	12 286 634	14 159 458
Stock Loans	116 881	306 744
Finance Leases	127 269	9 358
Post Retirement Medical Benefits	7 493 157	5 961 812
Ex-Gratia Pensions	16 339	14 460
Long Service Awards	825 731	682 753
Landfill Sites	204 056	175 444
Total finance charges	**21 070 067**	**21 310 029**

A standing overdraft facility of R5m is part of the agreement with Nedbank Limited.

36 BULK PURCHASES

Electricity	128 222 244	123 733 203
Refuse drums	116 546	230 872
Total Bulk Purchases	**128 338 790**	**123 964 075**

37 CONTRACTED SERVICES

	2015 R	2014 R
Commissions for agents	9 151 653	7 467 607
Refuse dumping fees - Petro SA	4 936 694	4 589 118
Other	10 447 411	6 637 487
Total Contracted Services	**24 535 758**	**18 694 212**

Other contracted services consist mainly out of outsourced maintenance work done

38 GRANTS AND SUBSIDIES PAID

Grants-in-aid and Donations	1 373 278	1 300 691
Knysna Tourism	4 000 000	3 700 000
Total Grants and Subsidies	**5 373 278**	**5 000 691**

39 GENERAL EXPENSES

Other Materials	**20 818 658**	**21 658 382**
Electricity Charge (Direct from ESKOM)	1 838 451	1 672 341
Fuel, Oil & Vehicle Management	7 513 961	6 474 517
Materials & Stores	4 300 007	4 769 541
Consumables & Stationery	1 270 904	1 373 194
Protective Clothing	1 009 637	939 591
Environmental Protection	490 529	336 050
Chemical Supplies	4 395 170	6 093 147
Other Expenditure	**87 525 200**	**101 364 925**
Advertising and Media	1 650 613	1 643 436
Audit Fees	4 713 387	5 415 766
Bank Charges	1 850 052	1 545 740
Collection Costs	7 743	41 088
Consultants Fees	4 953 351	13 155 398
Contribution to Eradication of alien vegetation provision	1 452 621	1 343 568
General Expenses	4 170 908	3 925 414
Insurance	2 130 477	1 965 358
Levies, Subscriptions and Licences	7 132 709	10 054 338
Office Space Rental	4 326 171	4 857 620
Planning	2 562 734	1 889 233
Projects	43 555 304	47 516 158
Staff Related (recruitment, training, etc.)	2 020 817	1 356 748
Security	1 511 540	1 265 053
Telecommunications and Postage	3 234 696	3 140 467
Travel, Entertainment and Functions	2 252 076	2 249 540
Total General Expenses	**108 343 858**	**123 023 307**

40 CORRECTION OF ERRORS IN TERMS OF GRAP 3

40.01 Long-Term Liabilities

	2014 R
Balance previously reported	**102 041 619**
Correction of interest and redemption up to 30 June 2013 on annuity loans - Refer to note 40.11	93 732
Correction of interest and redemption during 2013/2014 on annuity loans - Refer to note 40.12	2 034
Correction of annual software licence fees incorrectly capitalised as intangible assets	-
Correction of Intangible Assets - Cost - Refer to note 40.07	(492 287)
Correction of redemption up to 30 June 2013 - Refer to note 40.11	130 115
Correction of redemption during 2013/2014 - Refer to note 40.12	178 165
Correction of current portion of lease liability - Refer to note 40.03	184 008
Total	**102 137 385**

40.02 Non-Current Provisions

Balance previously reported	**17 639 434**
Correction of alien vegetation provision as a result of improved assumptions utilised in calculations	2 184 019
Correction up to 30 June 2013 - Refer to note 40.11	840 451
Correction during 2013/2014 - Refer to note 40.12	1 343 568
Total	**19 823 453**

40.03 Current Portion of Long-term Liabilities

Balance previously reported	**17 785 670**
Correction of short term portion of finance leases due to annual software licence fees incorrectly capitalised - Refer to note 40.01	(184 008)
Total	**17 601 662**

40 CORRECTION OF ERRORS IN TERMS OF GRAP 3 (CONTINUED)

	2014 R
40.04 Receivables from Non-Exchange Transactions	
Balance previously reported	**29 889 668**
Correction of Debt impairment on 30 June 2014 due to discrepancies identified in assumptions - Refer to note 40.12	(2 156 738)
Correction of fines receivable on 30 June 2014 due to discrepancies identified in previous calculations - Refer to note 40.12	225 482
Effect on Fines Receivable	2 932 945
Effect on Allowance for Impairment	(2 707 463)
Total	**27 958 412**
40.05 Receivables from Exchange Transactions	
Balance previously reported	**43 417 254**
Correction of Debt impairment on 30 June 2014 due to discrepancies identified in assumptions - Refer to note 40.12	(3 264 583)
Correction of write off incorrectly not recognised during 2013/2014	-
Effect on Other Arrears	(659 966)
Effect on Allowance for Impairment	659 966
Total	**40 152 671**
40.06 Property Plant and Equipment	
Balance previously reported	**802 911 657**
Correction of incorrect classification between asset register and financial statements	-
Cost up to 30 June 2013	(1 434 703)
Effect on Infrastructure Sewerage	21 576 697
Effect on Infrastructure Electricity	1 675 824
Effect on Infrastructure Water	(28 475 644)
Effect on Infrastructure Roads	4 988 824
Effect on Infrastructure Security Measures	234 362
Effect on Community Assets Buildings	(1 433 735)
Effect on Leased Assets Office Equipment	(2 177 229)
Effect on Other Assets Bulk Containers	685 583
Effect on Other Assets Plant and Equipment	438 944
Effect on Other Assets Lawnmowers	28 693
Effect on Other Assets Computer Hardware	2 176 246
Effect on Other Assets Office Machines	549
Effect on Other Assets Office Furniture	(73 839)
Effect on Other Assets Motor Cars	(3 857 658)
Effect on Other Assets Trucks & LDV's	2 777 611
Effect on Other Assets Motor Vehicles	54
Effect on Other Assets Graders	16
Transfers during 2013/2014	(143 807)
Effect on Community Assets Buildings	(143 807)
Additions during 2013/2014	-
Effect on Other Assets Motor Cars	(1 474 134)
Effect on Other Assets Motor Vehicles	1 474 134
Disposals during 2013/2014	-
Effect on Other Assets Motor Cars	358 353
Effect on Other Assets Motor Vehicles	(358 353)
Accumulated Depreciation up to 30 June 2013	1 434 704
Effect on Infrastructure Sewerage	686 103
Effect on Infrastructure Electricity	54 816
Effect on Infrastructure Water	(503 346)
Effect on Infrastructure Roads	(330 220)
Effect on Infrastructure Security Measures	92 591
Effect on Community Assets Buildings	1 433 735
Effect on Leased Assets Office Equipment	1 050 348
Effect on Other Assets Bulk Containers	(138 099)
Effect on Other Assets In & Outdoor Sport Facilities	(3 618)
Effect on Other Assets Plant and Equipment	31 344
Effect on Other Assets Lawnmowers	(22 067)
Effect on Other Assets Computer Hardware	(1 049 368)
Effect on Other Assets Office Machines	4 207
Effect on Other Assets Office Furniture	17 727
Effect on Other Assets Motor Cars	624 171
Effect on Other Assets Trucks & LDV's	(406 952)
Effect on Other Assets Motor Vehicles	(106 668)
Transfers and disposals during 2013/2014 (Accumulated Depreciation)	143 806
Effect on Community Assets Buildings	143 806
Effect on Motor Cars	262 880
Effect on Motor Vehicles	(262 880)
Depreciation during 2013/2014	-
Effect on Infrastructure Sewerage	53
Effect on Infrastructure Roads	(53)
Effect on Motor Cars	168 012
Effect on Motor Vehicles	(168 012)

40 **CORRECTION OF ERRORS IN TERMS OF GRAP 3 (CONTINUED)**

	2014 R
Reclassification of work in progress on 30 June 2013 (Infrastructure Assets)	-
Effect on Work in Progress	29 714 676
Effect on Infrastructure Electricity	(4 037 176)
Effect on Infrastructure Roads	(344 000)
Effect on Infrastructure Sewerage	(349 054)
Effect on Infrastructure Water	(24 984 446)
Reclassification of work in progress on 30 June 2013 (Other Assets)	-
Effect on Work in Progress	198 139
Effect on Land	(51 962)
Effect on Tip sites	(146 177)
Reclassification of work in progress additions during 2014 (Infrastructure)	-
Effect on Work in Progress	44 988 758
Effect on Infrastructure Electricity	(28 604 319)
Effect on Infrastructure Roads	(4 129 334)
Effect on Infrastructure Sewerage	(1 029 450)
Effect on Infrastructure Water	(11 225 655)
Reclassification of work in progress additions during 2014 (Land and Buildings)	-
Effect on Work in Progress	4 152 073
Effect on Buildings	(4 152 073)
Reclassification of work in progress additions during 2014 (Community Assets)	-
Effect on Work in Progress	1 950
Effect on Buildings	(1 950)
Reclassification of work in progress additions during 2014 (Other Assets)	-
Effect on Work in Progress	2 360
Effect on Vehicles (Trucks & LDVs)	(2 360)
Correction of windows operating system useful life	1 433 938
Effect on Accumulated Depreciation up to 30 June 2013 - Refer to note 40.11	1 225 798
Effect on Leased Assets - Office Equipment	701 113
Effect on Computer Hardware	524 684
Effect on Depreciation during 2013/2014 - Refer to note 40.12	208 140
Effect on Leased Assets - Office Equipment	425 765
Effect on Computer Hardware	(217 625)
Correction of operating expenses incorrectly capitalised as part of Electricity work in progress	(12 992 745)
Effect during 2013/2014 - Refer to note 40.12	(12 963 916)
Effect up to 30 June 2013 - Refer to note 40.11	(28 829)
Correction of operating expenses incorrectly not capitalised as part of Electricity work in progress - Refer to note 40.12	6 608 151
Infrastructure incorrectly identified as completed on 30 June 2013 (Xolweni)	-
Effect on Work in Progress	2 953 106
Effect on Infrastructure Electricity	(2 860 267)
Effect on Infrastructure Security Measures	(92 839)
Correction of Depreciation on Infrastructure incorrectly identified as completed on 30 June 2013 (Xolweni)	55 678
Effect on Depreciation up to 30 June 2013 - Refer to note 40.11	2 512
Effect on Infrastructure Electricity	2 402
Effect on Infrastructure Security Measures	110
Effect on Depreciation during 2013/2014	53 166
Effect on Infrastructure Electricity	50 846
Effect on Infrastructure Security Measures	2 320
Correction of useful lives of infrastructure - Accumulated Depreciation up to 30 June 2013 - Refer to note 40.11	6 511 145
Effect on Infrastructure Roads	5 594 984
Effect on Infrastructure Sewerage	53 031
Effect on Infrastructure Water	641 156
Effect on Infrastructure Electricity	221 973
Correction of useful lives of infrastructure - Depreciation during 2013/2014 - Refer to note 40.12	709 732
Effect on Infrastructure Roads	637 010
Effect on Infrastructure Sewerage	7 261
Effect on Infrastructure Water	23 954
Effect on Infrastructure Electricity	41 507

40 CORRECTION OF ERRORS IN TERMS OF GRAP 3 (CONTINUED)

	2014 R
Correction of infrastructure assets incorrectly not recognised as completed on 30 June 2013	-
Effect on Infrastructure Roads	916 564
Effect on Infrastructure Sewerage	1 691 082
Effect on Infrastructure Water	1 641 398
Effect on Infrastructure Electricity	1 516 074
Effect on Work in Progress	(5 765 117)
Correction of infrastructure/Community assets incorrectly not recognised as completed on 30 June 2014	-
Effect on Infrastructure Roads	3 164 371
Effect on Infrastructure Sewerage	5 111 532
Effect on Infrastructure Water	8 736 098
Effect on Infrastructure Electricity	21 728 284
Effect on Infrastructure Security Measures	24 394
Effect on Community Assets (Recreational)	837 252
Effect on Work in Progress	(39 601 930)
Correction of depreciation up to 30 June 2013 on assets previously not recognised as completed - Refer to note 40.11	(42 019)
Effect on Infrastructure Roads	(16 657)
Effect on Infrastructure Sewerage	(18 440)
Effect on Infrastructure Water	(4 429)
Effect on Infrastructure Electricity	(2 492)
Correction of depreciation during 2013/2014 on assets previously not recognised as completed - Refer to note 40.12	(491 515)
Effect on Infrastructure Roads	(35 853)
Effect on Infrastructure Sewerage	(71 701)
Effect on Infrastructure Water	(111 356)
Effect on Infrastructure Electricity	(245 633)
Effect on Infrastructure Security Measures	(134)
Effect on Community Assets (Recreational)	(26 838)
Correction of Remainig useful lives of other assets up to 30 June 2013 (Depreciation) - Refer to note 40.11	797 423
Effect on Motor vehicles (Trucks & LDV's)	171 291
Effect on Office furniture	86 686
Effect on Other Plant & Equipment	210 194
Effect on Lawnmowers	43 831
Effect on Radio equipment	96 214
Effect on Computer hardware	189 206
Correction of Remainig useful lives of other assets up to 30 June 2014 (Depreciation) - Refer to note 40.12	(13 940)
Effect on Motor vehicles (Trucks & LDV's)	(4 047)
Effect on Office furniture	14 545
Effect on Other Plant & Equipment	4 660
Effect on Lawnmowers	5 550
Effect on Radio equipment	3 670
Effect on Computer hardware	(38 318)
Total	**805 487 503**

40.07 Intangible Assets

Balance previously reported	**800 092**
Correction of allocation error on 30 June 2013	-
Effect on cost	(139 721)
Effect on Accumulated Amortisation up to 30 June 2013	139 721
Intangible assets incorrectly not disposed in years prior to 30 June 2013	(353 031)
Effect on Cost - Refer to note 40.11	(1 645 044)
Effect on Accumulated Amortisation up to 30 June 2013 - Refer to note 40.11	1 161 124
Effect on Amortisation during 2013/2014 - Refer to note 40.12	130 888
Correction of annual software licence fees incorrectly capitalised as intangible assets	(394 137)
Correction of Intangible Assets - Cost - Refer to note 40.01	(492 287)
Correction of Amortisation incorrectly recognised up to 30 June 2013 - Refer to note 40.11	48 917
Correction of Amortisation incorrectly recognised during 2013/2014 - Refer to note 40.12	49 233
Total	**52 924**

40.08 Inventory

Balance previously reported	**7 419 093**
Correction of water valuation on 30 June 2014 - Refer to note 40.12	(100 064)
Total	**7 319 029**

40	CORRECTION OF ERRORS IN TERMS OF GRAP 3 (CONTINUED)	2014 R
40.09	**Taxes**	
	Balance previously reported	**3 024 796**
	Correction of Debt impairment on 30 June 2014 due to discrepancies identified in assumptions - Refer to note 40.12	400 913
	Rental debtors incorrectly not included in VAT on impairment calculation	502 567
	Effect on periods up to 30 June 2013 - Refer to note 40.11	345 236
	Effect on 2013/2014 - Refer to note 40.12	157 332
	Total	**3 928 276**
40.10	**Employee Benefit Reserve**	
	Balance previously reported	**7 544 246**
	Correction of incorrect transfer made to reserve during 2013/2014 - Refer to note 40.11	(782 254)
	Total	**6 761 992**
40.11	**Accumulated Surplus**	
	Balance previously reported	**682 835 021**
	Adjustments to comparative figures in Statement of Financial Performance - Note 40.12	**(12 174 956)**
	Correction of incorrect transfer made to Employee Benefit Reserve during 2013/2014 - Refer to note 40.10	782 254
	Incorrect allocation of depreciation ofsetts relating to revalued assets - Refer to note 40.12	203 468
	Adjustments to balance up to 30 June 2013	
	Intangible assets incorrectly not disposed in years prior to 30 June 2013 - Refer to note 40.07	(483 919)
	Correction of interest and redemption up to 30 June 2013 on annuity loans - Refer to note 40.01	(93 732)
	Correction of annual software licence fees incorrectly capitalised as intangible assets	(81 198)
	Correction of Amortisation incorrectly recognised up to 30 June 2013 - Refer to note 40.07	48 917
	Correction of redemption up to 30 June 2013 - Refer to note 40.01	(130 115)
	Correction of windows operating system useful life - Refer to note 40.06	1 225 798
	Correction of operating expenses incorrectly capitalised as part of Electricity work in progress - Refer to note 40.06	(28 829)
	Correction of Depreciation on Infrastructure incorrectly identified as completed on 30 June 2013 (Xolweni) - Refer to note 40.06	2 512
	Correction of useful lives of infrastructure - Accumulated Depreciation up to 30 June 2013 - Refer to note 40.06	6 511 145
	Correction of depreciation up to 30 June 2013 infrastructure assets previously not recognised as completed - Refer to note 40.06	(42 019)
	Correction of Remainig useful lives of other assets up to 30 June 2013 (Depreciation) - Refer to note 40.06	797 423
	Rental debtors incorrectly not included in VAT on impairment calculation - Refer to note 40.09	345 236
	Correction of alien vegetation provision as a result of improved assumptions utilised in calculations - Refer to note 40.02	(840 451)
	Total Adjustments to balance up to 30 June 2013	**7 311 965**
	Total	**678 957 753**
40.12	**Statement of financial performance**	
	Surplus previously reported	**38 748 649**
	Intangible assets incorrectly not disposed in years prior to 30 June 2013 (Amortisation) - Refer to note 40.07	130 888
	Correction of interest and redemption during 2013/2014 on annuity loans - Refer to note 40.01	(2 034)
	Correction of annual software licence fees incorrectly capitalised as intangible assets	(128 931)
	Correction of Amortisation incorrectly recognised during 2013/2014 - Refer to note 40.07	49 233
	Correction of redemption during 2013/2014 - Refer to note 40.01	(178 165)
	Effect on finance charges	14 415
	Effect on general expenses (Licence Fees)	(192 580)
	Correction of windows operating system useful life (Depreciation) - Refer to note 40.06	208 140
	Correction of operating expenses incorrectly capitalised as part of Electricity work in progress - Refer to note 40.06	(12 963 916)
	Effect on Repairs and Maintenance	(141 161)
	Effect on General Expenses	(12 822 755)
	Correction of operating expenses incorrectly not capitalised as part of Electricity work in progress - Refer to note 40.06	6 608 151
	Effect on General Expenses	6 608 151
	Correction of Depreciation on Infrastructure incorrectly identified as completed on 30 June 2013 (Xolweni) - Refer to note 40.06	53 166
	Correction of useful lives of infrastructure - Depreciation during 2013/2014 - Refer to note 40.06	709 732
	Correction of depreciation during 2013/2014 on assets previously not recognised as completed - Refer to note 40.06	(491 515)
	Finance Charges on Non-Current Employee Benefits incorrectly allocated to Employee Related Costs	-
	Effect on Employee Related Costs	6 659 025
	Effect on Finance Charges	(6 659 025)
	Unwinding of interest on Landfill Site Provision incorrectly allocated to General Expenses	-
	Effect on General Expenses	175 444
	Effect on Finance Charges	(175 444)
	Correction of Remainig useful lives of other assets up to 30 June 2014 (Depreciation) - Refer to note 40.06	(13 940)
	Correction of water valuation on 30 June 2014 - Refer to note 40.08	(100 064)
	Correction of allocation between operating and capital grant revenue due to reallocation of Housing Grant Expenditure	-
	Effect on Government Grants and Subsidies - Capital	(6 355 766)
	Effect on Government Grants and Subsidies - Operating	6 355 766

40	CORRECTION OF ERRORS IN TERMS OF GRAP 3 (CONTINUED)	2014 R
	Correction of fines receivable and revenue on 30 June 2014 due to discrepancies identified in previous calculations - Refer to note 40.04	225 482
	Effect on Fines Revenue	2 932 945
	Effect on Debt Impairment	(2 707 463)
	Rental debtors incorrectly not included in VAT on impairment calculation - Refer to note 40.09	157 332
	Correction of Debt impairment on 30 June 2014 due to discrepancies identified in assumptions	(5 020 408)
	Effect on Receivables from Exchange Transactions - Refer to note 40.05	(3 264 583)
	Effect on Receivables from Non-Exchange Transactions - Refer to note 40.04	(2 156 738)
	Effect on VAT on Impairment - Refer to note 40.09	400 913
	Correction of alien vegetation provision as a result of improved assumptions utilised in calculations - Refer to note 40.02	(1 343 568)
	Incorrect allocation of depreciation ofsetts relating to revalued assets - Refer to note 40.11	(203 468)
	Total	**26 573 694**
40.13	**Cash Flow Statement**	
	Other than the previous corrections included in note 40 the following reclassification errors were corrected in the Cash Flow Statement	
	Actuarial Gains incorrectly accounted for	-
	Effect on Cash receipts from ratepayers and other - Non-Exchange Transactions	300 585
	Effect on Cash payments to suppliers and employees	(300 585)
	Incorrect allocation of VAT between receipts and payments	-
	Effect on Cash receipts from ratepayers and other - Exchange Transactions	1 753 187
	Effect on Cash payments to suppliers and employees	(1 753 187)

41	RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS	2015 R	2014 R
	Surplus for the year	80 259 098	26 573 694
	Adjustments for:		
	Depreciation and amortisation	23 797 836	21 778 133
	Gain on disposal of property, plant and equipment	(10 000 036)	(328 641)
	Loss on disposal of property, plant and equipment	763 730	561 843
	Impairments	2 745 542	13 541
	Government Transfers recognised as revenue	(121 987 689)	(129 076 682)
	Government transfers received	126 256 977	138 605 035
	Contribution to provisions - Non-Current	1 656 677	1 519 012
	Contribution from/to Non-current provisions - expenditure incurred	(524 220)	(499 190)
	Contribution from/to employee benefits - non-current	13 191 392	11 208 102
	Contribution from/to employee benefits - non-current - expenditure incurred	(2 788 378)	(2 792 920)
	Contribution from/to employee benefits - non-current - actuarial losses	-	7 623 068
	Contribution from/to employee benefits - non-current - actuarial gains	(7 718 838)	(300 585)
	Contribution to employee benefits – current	11 901 844	12 602 454
	Contribution to employee benefits – current - expenditure incurred	(10 983 159)	(13 024 422)
	Contribution to provisions – bad debt	72 076 137	54 733 382
	Unamortised discount	(169 042)	(351 151)
	Bad debts written off	(2 364 577)	(2 943 190)
	Operating lease income accrued	(94 986)	(24 026)
	Operating lease expenses accrued	(250 190)	(131 927)
	Operating Surplus before changes in working capital	**175 768 117**	**125 745 529**
	Changes in working capital	**(94 436 879)**	**(54 645 731)**
	Increase/(Decrease) in Trade and Other Payables	2 858 055	(2 896 999)
	Increase in Taxes	5 184 368	1 220 969
	Decrease in Inventory	1 546 967	1 207 189
	Increase in Trade Receivables from exchange transactions	(39 037 729)	(15 789 994)
	Increase in Other Receivables from non-exchange transactions	(65 300 265)	(38 501 777)
	Decrease in Long-term Receivables	311 727	114 881
	Cash generated by operations	**81 331 240**	**71 099 798**

42	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 21	36 837 794	17 983 213
	Cash Floats - Note 21	13 920	11 920
	Bank - Note 21	24 046 380	584 215
	Bank overdraft - Note 21	-	(1 276 262)
	Total cash and cash equivalents	**60 898 094**	**17 303 085**

43 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

	2015 R	2014 R
Cash and Cash Equivalents - Note 42	60 898 094	17 303 085
Investments - Note 15	24 132 741	21 434 839
	85 030 835	38 737 925
Less:	44 676 232	40 061 147
Unspent Committed Conditional Grants - Note 9	11 393 523	9 965 572
Secured Investments - Notes 3 and 15	33 282 708	30 095 575
Net cash resources available for internal distribution	**40 354 603**	**(1 323 222)**
Allocated to:		
Capital Replacement Reserve - Refer to Note 2	(25 000 000)	-
Employee Benefits Reserve - Refer to Note 2	(7 850 034)	(6 761 992)
Non-Current Provisions Reserve - Refer to Note 2	(4 274 341)	(3 527 887)
Valuation Roll Reserve - Refer to Note 2	(1 648 000)	(1 236 000)
Resources available (shortfall) for working capital requirements	**1 582 227**	**(12 849 101)**

44 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	128 919 335	119 570 005
Used to finance property, plant and equipment - at cost	(128 919 335)	(119 570 005)
	-	-
Cash set aside for the unspent portion of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	**-**	**-**

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 7.2% and 16.45% and will be repaid by 2029.

45 BUDGET COMPARISONS

In order to comply with the requirements of GRAP 24.12 and GRAP 24.27, all required disclosures are included in pages 14 to 19.

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

Statement of financial position

Consumer debtors in budget statements consist out of Receivables from Exchange Transactions.

The budget formats does not allow for various sundry debtor balances to be disclosed separately. For this reason, Receivables from Non-Exchange Transactions, Unpaid Conditional Grants and Receipts and Taxes (if applicable) are all incorporated under other receivables.

Long Term Receivables in budget statements also includes the Non-Current Operating Lease Asset.

Included in Trade and other payables per budget statement are Payables from Exchange Transactions as well as Unspent Conditional Government Grants and Receipts and Taxes (if applicable).

Employee benefits and Provisions (current and non-current) are disclosed separately in the financial statements while these figures are aggregated in the budget statements.

The budget formats does not provide for Non-Current Lease Liabilities. The Non-Current Lease Liability is disclosed as part of Borrowing.

All other items are disclosed on a comparable basis

Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Actuarial Gains, Augmentation Fees, Public Contributions and donations, Third Party Payments, Stock Adjustments and Other Income.

Depreciation/Amortisation and Impairments are disclosed separately in the financial statements while these figures are aggregated in the budget statements.

Other Materials are disclosed seperately in the budget statements, but is included as part of general expenses in the statement of financial performance - Refer to note 39

45 BUDGET COMPARISONS

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - General Expenses (excluding Other Materials), Collection Cost, Repairs and Maintenance, Actuarial Losses.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis, except for the following item:

Capital additions for different classes of assets are shown separately in the Cash Flow Statement while all additions are aggregated in the budget comparison.

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

46.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

	2015 R	2014 R
Opening balance	81 277 895	15 066 568
Unauthorised expenditure current year - capital	1 627 673	1 355 332
Unauthorised expenditure current year - operating	20 429 303	79 922 562
Approved by Council or condoned	-	(15 066 568)
Unauthorised expenditure awaiting authorisation	**103 334 871**	**81 277 895**

The recoverability of the unauthorised expenditure will be determined by the Council after an investigation by a Council Committee in terms of Section 32 of the MFMA.

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budgets per vote 2014/15	*None*

46.2 Budget Comparison by Municipal Vote - Operating Expenditure

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 R (Unauthorised)
Executive & Council	42 939 744	39 723 256	3 216 488	3 216 488
Corporate	25 688 822	29 070 850	(3 382 028)	-
Finance	46 420 951	56 658 744	(10 237 793)	-
Planning	53 996 031	43 625 020	10 371 011	10 371 011
Community	161 351 875	154 510 071	6 841 804	6 841 804
Electricity	162 140 851	174 313 655	(12 172 804)	-
Technical	111 050 058	115 450 058	(4 400 000)	-
	603 588 331	**613 351 654**	**(9 763 323)**	**20 429 303**

46.3 Budget Comparison by Municipal Vote - Capital Expenditure

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 R (Unauthorised)
Executive & Council	2 101 869	2 532 000	(430 131)	-
Corporate	66 309	75 000	(8 691)	-
Finance	3 120 173	1 492 500	1 627 673	1 627 673
Planning	9 798 430	26 817 000	(17 018 570)	-
Community	9 316 403	10 497 800	(1 181 397)	-
Electricity	12 251 222	13 391 000	(1 139 778)	-
Technical	25 133 812	34 329 000	(9 195 188)	-
	61 788 218	**89 134 300**	**(27 346 082)**	**1 627 673**

46.4 Fruitless and wasteful expenditure

	2015 R	2014 R
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	475 882	408 221
Fruitless and wasteful expenditure current year	12 531	67 661
Fruitless and wasteful expenditure awaiting condonement	**488 413**	**475 882**

The recoverability of the expenditure will be determined by the Council after an investigation by a Council Committee in terms of Section 32 of the MFMA.

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES (CONTINUED)

Incident	Disciplinary steps/criminal proceedings	2015 R	2014 R
Conference cost due to staff members unavailability to attend R-Data User group meeting.	None	8 060	
Interest paid on late payments to Eden District Municipality	None	4 471	
Interest on two late payments	None	-	17 661
Administrative Fine paid to Department of Environmental Affairs by operating a Garden Waste Composting Facility in Sedgefield since 2001/2002 without a Records of Decision (ROD)	None	-	50 000
		12 531	**67 661**

46.5 Irregular expenditure

Reconciliation of irregular expenditure:

	2015	2014
Opening balance	584 726	6 360
Irregular expenditure current year	-	584 726
Irregular expenditure reclassified by Council	-	(6 360)
Irregular expenditure awaiting approval	**584 726**	**584 726**

The classification, validation and recoverability of the expenditure will be determined by the Council after an investigation by a Council Committee in terms of Section 32 of the MFMA.

Incident	Disciplinary steps/criminal proceedings	2015	2014
Tender 53 of 2013 incorrectly awarded to Universal Cables resulting in a nett loss of R 8 573.	None	-	454 259
Refuse removal tender extended beyond the contractual period	None	-	130 467
		-	**584 726**

A matter has been referred to both Provincial and National Treasury for further determination as to whether or not the attendance at the BAC meeting by an employee of the municipality who is a family member of the supplier constitutes irregular expenditure to the value of R 956 093 (2014 - R 1 133 234).

A matter has been referred to both Provincial and National Treasury for further discussion as to whether or not the awarding of tenders based on local content criteria to the supplier that did not score the highest PPPFA points constitutes irregular expenditure to the value of R 5 983 526 (2014 - R 9 277 921).

46.6 Material Losses

	2015	2014
Electricity distribution losses		
Units purchased (Mwh)	179 700	182 201
- Units lost during distribution (Mwh)	13 128	18 329
- Percentage lost during distribution	7.31%	10.06%
Water distribution losses		
- Mega litres purified	5 033	4 485
- Mega litres lost during distribution	734	427
- Percentage lost during distribution	14.58%	6.50%

There is no possibility of recovering any of the material losses.

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

47.1 Contributions to organised local government - [MFMA 125 (1) - SALGA CONTRIBUTIONS

	2015 R	2014 R
Opening balance	273 627	273 627
Council subscriptions	1 594 239	1 473 822
Amount paid - current year	(1 594 239)	(1 473 822)
Balance unpaid (included in creditors)	**273 627**	**273 627**

47.2 Audit fees - [MFMA 125 (1)]

Opening balance	-	-
Current year audit fee	4 411 097	4 016 664
External Audit - Auditor-General	2 850 576	2 600 144
Internal Audit	1 321 737	1 204 521
Audit Committee	238 784	212 000
Amount paid - current year	(4 411 097)	(4 016 664)
Balance unpaid (included in creditors)	**-**	**-**

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

		2015 R	2014 R
47.3	**VAT - [MFMA 125 (1)]**		
	Opening balance	3 059 180	2 089 867
	Amounts received - previous year	(3 753 691)	(1 907 271)
	Amounts received - current year	(45 088 875)	(42 509 851)
	Amounts claimed - current year	44 928 920	45 514 181
	Corrections	(235 528)	(127 747)
	Closing balance	**(1 089 994)**	**3 059 180**
	Vat inputs receivables and Vat outputs payables are shown in Note 10 All VAT returns have been submitted by the due date throughout the year.		
	Vat in suspense due to cash basis of treatment	**1 407 497**	**869 097**
47.4	**PAYE and UIF - [MFMA 125 (1)]**		
	Opening balance	(4 814)	5 820
	Current year payroll deductions and Council Contributions	22 688 440	19 450 995
	Amount paid - current year	(22 641 230)	(19 461 629)
	Balance unpaid (included in creditors)	**42 397**	**(4 814)**
47.5	**Pension and Medical Aid Deductions - [MFMA 125 (1)]**		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	43 129 410	39 724 262
	Amount paid - current year	(43 129 410)	(39 724 262)
	Balance unpaid (included in creditors)	**-**	**-**

47.6 **Councillor's arrear consumer accounts - [MFMA 124 (1)]**

The following Councillors had arrear accounts for more than 90 days as at 30 June:

	2015 R Outstanding more than 90 days	2014 R Outstanding more than 90 days
Dyantyi M	2 700	757
Dyantyi M	14 359	12 845
Lizwani M	2 248	2 439
Gombo E	3 768	522
Gombo E	-	3 342
Gombo E	3 768	522
Gombo E	-	3 634
Bouw-Spies E	605	-
Total Councillor Arrear Consumer Accounts	**27 448**	**24 061**

47.7 The following Councillors had arrear accounts outstanding for more than 90 days during the year.

Currently in office	Highest amount outstanding R	Ageing	Month
Dyantyi M	2 700	>150 days	June 2015
Dyantyi M	14 359	>150 days	June 2015
Lizwani M	2 248	>150 days	June 2015
Gombo E	3 272	>150 days	June 2015
Gombo E	3 768	>150 days	June 2015
Gombo E	3 768	>150 days	June 2015

47.8 **Supply Chain Management**

Deviations from the Supply Chain Management Regulations per directorate:

	Emergency R	Impractical R	Sole Supplier R	Total R
Community Services	697 557	796 595	-	1 494 152
Corporate Services	-	4 717 586	-	4 717 586
Financial Services	218 400	1 614 326	1 265 417	3 098 143
Planning & Development	1 427 880	1 320 923	-	2 748 803
Technical Services	4 986 618	5 882 385	-	10 869 004
	7 330 455	**14 331 816**	**1 265 417**	**22 927 688**

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

Deviations from the Supply Chain Management Regulations per supplier:

Supplier	Emergency R	Impractical R	Sole Supplier R	Total R
Hamilton Hydraulic Services CC	304 386	-	-	304 386
Inyameko Construction	393 171	-	-	393 171
Eden Lifesaving District	-	517 375	-	517 375
Singenza Tree Felling CC	-	279 220	-	279 220
Albatros Property Trust	-	2 163 062	-	2 163 062
Melville Development Co	-	1 907 722	-	1 907 722
Tusker Construction	-	285 108	-	285 108
University Of Stellenbosch	-	361 694	-	361 694
Topsaw Forest & Garden	218 400	-	-	218 400
B&v Contractors (Pty) Ltd	1 647 880	1 980 664	-	3 628 544
Ice Consulting T/a Information	-	630 000	-	630 000
Consolidated African Technologies	-	-	428 088	428 088
Microsoft Ireland Operations Ltd	-	-	837 329	837 329
Element Consulting Engineers	-	324 585	-	324 585
Flowline Technology (Pty) Ltd	817 890	-	-	817 890
Northfield Engineering (Pty) Ltd	224 934	-	-	224 934
Phambili Civils	1 546 644	-	-	1 546 644
Savycon CC	894 900	-	-	894 900
Ultra Water CC	1 282 250	-	-	1 282 250
Autumn Skies Trading 257 CC	-	290 293	-	290 293
George Electrical Rewinders	-	947 507	-	947 507
Itron Metering Solutions South Africa	-	4 644 585	-	4 644 585
	7 330 455	**14 331 816**	**1 265 417**	**22 927 688**

48 CAPITAL COMMITMENTS

	2015 R	2014 R
Commitments in respect of capital expenditure:		
Approved and contracted for:	7 392 799	5 900 434
Land and Buildings	-	126 574
Infrastructure	5 960 541	5 772 040
Other assets	1 283 907	1 820
Community	148 351	-
Total	**7 392 799**	**5 900 434**
This expenditure will be financed from:		
External Loans	2 155 447	707 750
Capital Replacement Reserve	408 238	302 741
Government Grants	4 208 623	4 585 707
Own Resources	620 492	304 236
	7 392 799	**5 900 434**

49 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality entered into a contract for the purchase of Windows software systems for a period of 3 years, denominated in US currency. The municipality does not foresee any significant currency risks related to the transaction and is of the opinion that the benefits of the transaction exceeds the risks attached to the transaction.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis by comparison between current market related rates and historical rates and adjustments made where considered necessary.

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates are as follow:

	2015 R	2014 R
1% (2014 - 1%) Increase in interest rates	(669 025)	(810 130)
0% (2014 - 0.5%) Decrease in interest rates	-	405 065

The South African Economy is currently in an upward interest rate cycle and there are no expectation for a decrease in interest rates on 30 June 2015 for the ensuing year.

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Grants are receivable from higher order levels of government. The risk of non- payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 18 and 19 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

	Exchange Transactions R	Non-Exchange Transactions R	Total R
The ageing of amounts past due but not impaired is as follows:			
2015			
1 month past due	5 009 115	1 879 399	6 888 513
2 + months past due	14 068 584	9 875 041	23 943 625
Total	**19 077 699**	**11 754 440**	**30 832 139**
2014			
1 month past due	1 767 400	883 314	2 650 715
2 + months past due	9 518 110	9 889 540	19 407 650
Total	**11 285 511**	**10 772 854**	**22 058 365**

Trade and other receivables impaired

2015	Exchange Transactions R	Non-Exchange Transactions R	Total R
Total	**48 569 980**	**117 185 626**	**165 755 606**

2014	Exchange Transactions R	Non-Exchange Transactions R	Total R
Total	**34 901 211**	**59 545 035**	**94 446 246**

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2015 %	2015 R	2014 %	2014 R
Electricity	3.31%	5 487 697	4.85%	4 577 696
Water	11.05%	18 320 016	12.45%	11 756 573
Housing Rentals	3.09%	5 126 884	4.34%	4 100 530
Refuse	4.84%	8 027 156	6.27%	5 923 819
Sewerage	4.56%	7 565 213	5.33%	5 031 029
Other Consumer Arrears	2.44%	4 043 015	3.72%	3 511 564
Rates	15.10%	25 024 743	25.38%	23 973 712
Traffic Fines	55.60%	92 160 883	37.66%	35 571 323
	100.00%	165 755 606	100.00%	94 446 246

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The maximum credit and interest risk exposures in respect of the relevant financial instruments are as follows:

	2015 R	2014 R
Fixed Deposit Investments	24 132 741	21 434 839
Long Term Receivables	192 011	479 532
Receivables from exchange transactions	65 521 631	40 152 671
Short Term Investment Deposits	36 837 794	17 983 213
Bank and Cash Balances	24 060 300	596 135
	150 744 477	80 646 390

(e) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and ensures that borrowing facilities are available to meet its cash requirements.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2015	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities	23 458 121	86 062 684	66 905 062	35 251 396
Capital repayments	11 015 254	47 583 911	41 229 302	29 090 868
Loans	10 521 222	46 877 053	41 229 302	29 090 868
Finance Leases	494 032	706 858	-	-
Interest	12 442 867	38 478 772	25 675 761	6 160 528
Loans	12 324 969	38 420 718	25 675 761	6 160 528
Finance Leases	117 898	58 054	-	-
Trade and Other Payables	48 537 593	-	-	-
Provisions	-	23 701 044	-	-
	71 995 713	109 763 728	66 905 062	35 251 396

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity Risk

2014	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities	28 828 753	79 019 816	52 041 977	31 602 116
Capital repayments	17 697 428	47 069 232	30 159 366	24 643 980
Loans	17 658 564	47 069 232	30 159 366	24 643 980
Finance Leases	38 864	-	-	-
Interest	11 131 325	31 950 585	21 882 611	6 958 137
Loans	11 129 429	31 950 585	21 882 611	6 958 137
Finance Leases	1 896	-	-	-
Trade and Other Payables	45 892 685	-	-	-
Provisions	-	19 823 453		
Bank and Cash Balances	1 276 262	-	-	-
	75 997 700	98 843 270	52 041 977	31 602 116

50 FINANCIAL INSTRUMENTS			2015 R	2014 R

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

50.1 Financial Assets	Classification		
Investments			
Fixed Deposits	Financial instruments at amortised cost	24 132 741	21 434 839
Long-term Receivables			
Land Sales	Financial instruments at amortised cost	-	194 920
Staff loans	Financial instruments at amortised cost	1 609	3 195
Old age homes	Financial instruments at amortised cost	116 536	147 771
Sundry deposits	Financial instruments at amortised cost	6 800	8 648
Current Receivables			
Service Debtors	Financial instruments at amortised cost	41 520 443	33 186 798
Rentals	Financial instruments at amortised cost	302 746	364 309
Other Debtors	Financial instruments at amortised cost	23 698 442	3 029 379
Current Portion of Long-term Receivables			
Staff loans	Financial instruments at amortised cost	2 182	3 024
Old age homes	Financial instruments at amortised cost	60 499	64 956
Eastford Ridge Public Contributions	Financial instruments at amortised cost	4 386	57 018
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	36 837 794	17 983 213
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	24 046 380	584 215
Cash Floats and Advances	Financial instruments at amortised cost	13 920	11 920
		150 744 477	**77 074 205**

50.2 Financial Liability	Classification		

In accordance with GRAP 104 the Financial Liabilities of the municipality are classified as follows :

Long-term Liabilities			
Non-current Loans	Financial instruments at amortised cost	117 903 831	102 137 383
Payables			
Trade payables (Restated 2013)	Financial instruments at amortised cost	48 537 593	45 892 685
Current Portion of Long-term Liabilities			
Short-term portion of Non-current loans	Financial instruments at amortised cost	11 015 504	17 601 662
Cash and Cash Equivalents			
Bank overdraft	Financial instruments at amortised cost	-	1 276 262
		177 456 928	**166 907 993**

51 STATUTORY RECEIVABLES

	2015 R	2014 R
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
Taxes		
Vat Receivable	317 503	3 928 276
Receivables from Non-Exchange Transactions		
Rates	19 136 308	18 968 300
Fines	16 481 778	7 206 287
	35 935 589	**30 102 864**

52 EVENTS AFTER THE REPORTING DATE

No events to report on

53 IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

Organisation	Contribution towards:		
General public	Mayoral Golf day	201 500	223 774
General public	Millwood Museum	3 588	3 670
Dept Environmental Affairs & Development Planning	Greenest Municipality	50 000	-
		255 088	227 444

54 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

55 CONTINGENT ASSETS AND LIABILITIES

	2015 R	2014 R
55.1 CONTINGENT LIABILITY		
Claims against Council	**2 404 905**	**5 580 172**
The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:		
The municipality is the second respondent in a claim for personal injury due to a road accident.	300 000	300 000
Case no. C457/14 - This is a labour related matter which has escalated to the appeal division of the Labour Court. The attorneys confirm that the outcome of the Labour Appeal Court will determine a cost order in respect of fees for or against the client which can not be estimated at this stage, in light of the fact that no quantum is claimed for.	-	-
Case no. 2816/2014 - This s a rescission of judgement application following our client obtaining an order for eviction against the applicant. The outcome will determine a cost order in respect of fees for or against client, which cannot be estimated at this stage.	-	-
Alleged breach of contract in respect of the upgrading of the ablution facilities at the Hornlee Sportsgrounds	104 905	-
Action instituted for damages and claims payment of R 2 030 750 plus interest @ 15.5% p.a. from 06/03/2004 and costs (C02118). The plaintiff's former attorneys formally withdrew from acting on his behalf. Muller Terblance and Beyers Inc of Worcester advised the Municipality that they have been appointed and will be serving an appropriate notice to this effect shortly.	2 000 000	5 280 172
	2 404 905	**5 580 172**

55.2 CONTINGENT ASSET

The municipality engaged, and declared a dispute with the Eden District Municipality over the ownership of properties which both municipalities claim as their properties

The municipality resolved to continue with the Intergovernmental Dispute (IGD) and should same fail, to obtain a declaratory order through a competent court to ensure transfer of the following properties:

	Possible Classification	Valuation R
Portion 1, 2 and 3 of the farm 215 Walkers Point	Investment Property	20 200 000
Erf 20 - Belvidere	Investment Property	460 000
Erf 21 - Belvidere	Investment Property	460 000
Erf 22 - Belvidere	Investment Property	460 000
Erf 2790 Knysna	PPE	2 900 000
Portion 22 of farm 191 Westford	Investment Property	600 000
Portion 0, 1 and 2 of farm 185 George road - Swartvlei Caravan Park	PPE	39 000 000
		64 080 000

The properties are not as yet recognised in the municipality's financial statements.

56 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. All transactions are at arm's length.

56.1 Related Party Transactions

	Rates Levied 1 July to 30 June:	Service Charges Levied 1 July to 30 June:	Other Charges Levied 1 July to 30 June:	Outstanding Balances at end of year:
Year ended 30 June 2015				
Councillors	48 398	106 366	6 588	49 404
Municipal Manager and Section 57 Personnel	18 610	34 207	6 597	2 057
Year ended 30 June 2014				
Councillors	7 473	35 581	5 533	48 587
Municipal Manager and Section 57 Personnel	9 305	9 528	5 118	-

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

56.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 16 to the Annual Financial Statements.

56.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

56.4 Other Supply Chain transactions

The following purchases were made during the year where Councillors or Staff have an interest:		2015 R	2014 R
Councillor/Staff Member	Entity:		
Mr. R. Bouwer (Stores Clerk) - Father-in-law	J.C.O Terblanche	-	114 040
Mr. R. Bouwer (Stores Clerk) - Father-in-law	JC Terblance t/a P&H Services	875 636	625 223
Mr. R. Bouwer (Stores Clerk) - Brother	Bartowave PTY LTD T/A Garden Route Stee	83 652	-
Ms. L. Grobler (Customer care admin assistant) - Husband	Q&E Carpet Cleaners Knysna	3 710	455
Ms. M. McDonald (Principal Technician Electrical) - Husband	Jam Electrical	1 098 974	1 133 234
Ms. N Mlisana (Procurement Clerk) - Ex-husband	Zwelidumile Mlisana	-	57 300
Ms. S. Pretorius (Payroll Officer) - Brother-in-law	Virtually present	181 000	-
Mr. JM. Tshambo (Casual - General Assistant: Parks) - Wife	Limise Designers Construction	399 109	341 971
Ms. TS. Guzana-Tsese (Senior Clerk: Records) - Husband	Tsese Transport and Shuttle Services	6 350	38 500
Mr. ZRM Dulwana (Artisan Diesel Mechanic) - Wife	Nathi G General Trading	17 000	126 014
Ms. V Bridge (IT Manager) - Stepfather	Simola	34 440	8 250
Mr M Maughan-Brown (Director - Planning) - Brother-in-law	Geelhoutvlei Timbers	395 790	247 770
Ms. E Van den Berg (Accountant - Meter reading) - Husband	J T van den Berg	139 433	127 289
Ms. A Scholtz (Communications officer) - Husband	Desmond Scholtz (Photography)	-	7 777
Mr. A Morgan (Accountant: Treasury and Budget) - Brother	Baia Formosa	430	2 630
Ms. LV Bruiners (Motor vehicle registration clerk) - Brother	Witbooi Transport	-	2 000
Mr. C Hardnick (Senior Supervisor - Parks) - Brother	FK Hardnick	15 200	11 100
Mr FE Fredericks (Senior Fireman) - Father	D Fredericks	60 345	60 230
Mr. HJ Borcherds (Trainee Fireman) - Brother	Sizamile Contracts	-	114 312
Ms. L Plaatjies (Network and system administrator) - Brother-in-law	MM Jantjies (Transport)	67 550	93 140
Mr. AP Goosen (Supervisor - Sewerage) - Brother	BB car wash	3 255	1 833
Ms. S Fourie (SCM clerk) - Uncle	Julyan:D	93 150	93 480
Ms. V Klein (Secretary - Corporate Services) - Brother	CX Sporting Tours	8 000	480
Mr. VX Frans	Kholwani Investments CC	119 260	179 706
Mr. Themba Wellington Sentile	GL Solomzi Trading Enterprise	-	27 000
Mr. Mzwandile Jacky Kalani	Mosdell Pama & Cox	443 787	156 666
Mr. S Mzondi (Traffic Officer) - Brother	African Compass Trading 3	542 134	244 800
Ms. F Kruger (Manager: SCM) - Husband	Kruger: JM T/A Budget Building supplies	550	-
Ms. S Mtwa (Chief clerk: Administration) - Mother	LT Mtwa	12 674	-
Mr. A Bans (Superintendent - Traffic)	Tolo & Miles	411 131	-
		5 012 560	**3 815 200**

Other transactions in terms of Section 45 of the Municipal Supply Chain Regulations.

The following purchases were made where immediate family members are in the service of the State:

Limise Designers Construction	Patricia Tobi – Resigned 11/02/2013	298 856	104 000
SMEC	Y. Phosa (wife of Mathews Phosa)	-	57 000
Wonderland Educare	Sinetemba Mtwa Committee Officer	-	200 000
Tusker Construction	Wife is a Nurse at PAWC	422 394	1 893 836
		721 250	**2 254 836**

56.5 Investment in Municipal Entity

The Municipality had a 100% shareholding in Amaraka Investments No 64 (Pty) Ltd T/A Knysna Economic Development Agency. No other transactions was entered into with this related party for the current financial year. The municipality resolved in June 2012 that the Municipal Manager must take all steps to discontinue the Entity. Application for the deregistration of the company was submitted to the CIPC but it is as yet not deregistered. Due to the deregistration no consolidated annual financial statements are prepared.

APPENDIX A - Unaudited
KNYSNA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

EXTERNAL LOANS	Rate	Loan Number	Original Loan Amount	Redeemable	Balance at 30 JUNE 2014	Correction	Balance at 30 JUNE 2014	Received during the period	Refund Over Payment	Redeemed written off during the period	Balance at 30 JUNE 2015
LOCAL REGISTERED STOCK											
Tswane City Council	16.45%		710 520	31/12/2018	710 520	-	710 520	-	-	-	710 520
Total Long-term Loans			**710 520**		**710 520**	**-**	**710 520**	**-**	**-**	**-**	**710 520**
ANNUITY LOANS											
ABSA	11.98%	40-7175-4052	15 000 000	30/06/2028	12 447 582	-	12 447 582	-	1 002 840	405 852	13 044 570
ABSA	10.65%	40-7375-1179	7 010 000	01/10/2028	6 232 985	-	6 232 985	-	-	194 909	6 038 076
ABSA	10.99%	40-7258-9024	7 000 000	30/09/2028	6 369 012	2 034	6 371 046	-	-	191 814	6 179 233
ABSA	9.84%	40-7428-8969	19 579 000	30/06/2029	16 418 281	-	16 418 281	-	1 145 870	541 124	17 023 027
DBSA	9.14%	13770/1	11 339 800	30/06/2021	3 701 093	-	3 701 093	-	476 728	596 832	3 580 989
DBSA	9.51%	13963/1	5 077 667	30/06/2022	1 909 686	-	1 909 686	-	228 279	267 246	1 870 719
DBSA	9.59%	100253/1	6 898 760	30/06/2023	2 941 184	-	2 941 184	-	326 649	363 093	2 904 741
DBSA	9.14%	100939/1	8 594 807	30/06/2024	4 108 197	-	4 108 197	-	415 385	452 358	4 071 224
DBSA	9.14%	100939/2	1 911 374	30/06/2019	584 458	-	584 458	-	98 175	136 527	546 107
DBSA	8.91%	100939/3	1 452 650	30/06/2014	(84 271)	-	(84 271)	-	84 271	-	-
DBSA	8.24%	101431/1	9 380 257	31/12/2025	5 221 119	-	5 221 119	-	456 405	493 698	5 183 826
DBSA	8.24%	101431/2	1 500 330	31/12/2020	616 464	-	616 464	-	80 118	107 166	589 415
DBSA	8.24%	101431/3	1 979 824	31/12/2015	206 533	-	206 533	-	126 852	222 257	111 128
DBSA	13.75%	101753/1	34 437 967	30/06/2015	2 499 794	-	2 499 794	-	3 083 647	5 583 441	-
DBSA	7.99%	102328/1	5 386 431	30/06/2026	3 719 847	-	3 719 847	-	311 288	335 928	3 695 208
DBSA	8.03%	102328/2	1 741 830	30/06/2021	762 397	-	762 397	-	92 508	122 129	732 776
DBSA	7.99%	102328/3	2 393 924	30/06/2016	341 899	-	341 899	-	141 463	241 681	241 681
DBSA	9.59%	61006807	8 000 000	29/06/2021	4 947 602	-	4 947 602	-	652 398	800 000	4 800 000
DBSA	9.64%	61006832	8 245 000	31/12/2026	6 983 311	-	6 983 311	-	492 415	332 711	7 143 015
INCA	7.20%	0026-KNY003-00-0003	18 607 000	15/02/2027	15 785 526	-	15 785 526	-	-	610 085	15 175 440
Nedbank	10.13%	05/7831030611/02	14 960 000	17/06/2020	10 557 750	-	10 557 750	-		1 392 587	9 165 163
Nedbank	10.53%	05/7831030611/03	12 107 000	31/07/2029	-	-	-	12 107 000	-	172 740	11 934 261
Nedbank	10.11%	05/7831030611/04	2 050 000	31/07/2024	-	-	-	2 050 000	-	61 413	1 988 587
Standard Bank	10.26%	28-1186-9596-000	10 000 000	30/09/2020	7 561 532	-	7 561 532	-	-	868 841	6 692 691
Standard Bank	10.48%	06-1143-4800-00	2 600 000	23/05/2018	1 106 665	93 719	1 200 384	-	222 318	303 185	1 119 518
Standard Bank	10.59%	06-1143-4480-00	5 884 000	20/03/2019	3 786 170	51	3 786 220	-	-	609 691	3 176 530
Standard Bank	9.54%	06-1143-4560-00	5 106 000	20/03/2014	38	(38)	-	-	-	-	-
Total Annuity Loans			**228 243 621**		**118 724 853**	**95 766**	**118 820 619**	**14 157 000**	**9 437 611**	**15 407 307**	**127 007 925**
LEASE LIABILITY											
Finance Leases					222 872	(184 008)	38 864	1 534 465	-	372 439	1 200 891
Total Lease Liabilities					**222 872**	**(184 008)**	**38 864**	**1 534 465**	**-**	**372 439**	**1 200 891**
TOTAL EXTERNAL LOANS					**119 658 245**	**(88 242)**	**119 570 001**	**15 691 465**	**9 437 611**	**15 779 746**	**128 919 336**

APPENDIX B - Unaudited
KNYSNA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 JUNE 2014	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2015
UNSPENT/(UNPAID) CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R	R
Dist Grant - Knysna Survey Project	150 000	-	-	-	150 000
Dist Grant - Municipal Disaster Recovery	855 920	3 566 290	855 920	-	3 566 290
Nat Grant - DWAF: Masibambane	314 761	-	-	-	314 761
Nat Grant - Equitable Share	-	44 754 000	44 754 000	-	-
Nat Grant - Integrated Electrification Program	(832 714)	2 000 000	111 865	1 055 421	-
Nat Grant - Local Government Finance Management Grant	238 175	1 450 000	1 688 175	-	0
Nat Grant - Municipal Infrastructure Grant	(1 233 698)	23 648 000	3 338 575	19 884 856	(809 129)
Nat Grant - Municipal System Improvements Grant	-	934 000	934 000	-	0
Nat Grant - Expanded Public Works Program (EPWP)	9 446	1 000 000	1 028 061	-	(18 615)
Prov Grant - Community Development Worker (Operat)	-	52 464	49 450	17 976	(14 962)
Prov Grant - Library	86 066	3 291 000	3 149 748	227 318	-
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	(3 383 816)	44 800 391	33 818 298	9 339 295	(1 741 018)
Prov Grant - Public Transport Facility (Trans P/W)	160 376	-	-	-	160 376
Prov Grant - Performance Management System (Management Support)	104 766	-	-	-	104 766
Prov Grant - Management Support Grant	459 376	-	459 376	-	-
Prov Grant - Financial Management Grant (WC FMG)	279 961	500 000	550 382	208 200	21 379
Prov Grant - Main Roads Subsidy	-	260 832	286 000	-	(25 168)
Prov Grant - Public Transport - Nekkies Pedestrian Crossing	7 097 902	-	-	230 774	6 867 128
Other Grant - Govan Mbeki National Housing Award	114 090	-	-	-	114 090
Other Grant - French Football Grant	50 301	-	-	-	50 301
Other Grant - Danish Football Grant	44 434	-	-	-	44 434
Total	**4 515 342**	**126 256 977**	**91 023 850**	**30 963 839**	**8 784 631**

APPENDIX C - Unaudited
KNYSNA MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2014/2015							2013/2014
R thousand	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Revenue - Standard								
Governance and administration	**181 479**	**1 577**	**183 057**	**205 471**	22 414	112.2%	113.2%	**170 056**
Executive and council	6 414	–	6 414	24 403	17 989	380.4%	380.4%	8 845
Budget and treasury office	170 300	1 018	171 318	174 434	3 116	101.8%	102.4%	157 100
Corporate services	4 765	559	5 324	6 633	1 309	124.6%	139.2%	4 111
Community and public safety	**57 861**	**87 704**	**145 565**	**140 510**	**(5 055)**	**96.5%**	**242.8%**	**118 434**
Community and social services	8 691	86	8 777	9 116	339	103.9%	104.9%	10 650
Sport and recreation	1 071	–	1 071	962	(109)	89.8%	89.8%	845
Public safety	17 157	63 000	80 157	86 314	6 157	107.7%	503.1%	50 425
Housing	30 941	24 618	55 559	44 118	(11 441)	79.4%	142.6%	56 514
Economic and environmental service	**9 459**	**7 098**	**16 557**	**9 986**	**(6 571)**	**60.3%**	**105.6%**	**14 292**
Planning and development	3 374	–	3 374	3 227	(147)	95.6%	95.6%	3 602
Road transport	6 085	7 098	13 183	6 759	(6 424)	51.3%	111.1%	6 782
Environmental protection	–	–	–	–	–	-	-	3 908
Trading services	**327 452**	**(4 000)**	**323 452**	**327 881**	**4 429**	**101.4%**	**100.1%**	**305 943**
Electricity	209 120	(5 000)	204 120	203 723	(397)	99.8%	97.4%	200 130
Water	72 858	–	72 858	76 963	4 105	105.6%	105.6%	65 496
Waste water management	19 315	1 000	20 315	21 229	914	104.5%	109.9%	17 516
Waste management	26 158	–	26 158	25 965	(193)	99.3%	99.3%	22 801
Total Revenue - Standard	**576 250**	**92 379**	**668 630**	**683 847**	**15 218**	**102.3%**	**118.7%**	**608 725**
Expenditure - Standard								
Governance and administration	**155 930**	**10 119**	**166 049**	**138 666**	(27 383)	83.5%	88.9%	**143 549**
Executive and council	37 289	1 620	38 909	41 710	2 801	107.2%	111.9%	45 641
Budget and treasury office	42 947	1 187	44 134	33 037	(11 097)	74.9%	76.9%	33 037
Corporate services	75 694	7 313	83 006	63 919	(19 087)	77.0%	84.4%	64 871
Community and public safety	**75 521**	**75 187**	**150 708**	**168 199**	**17 491**	**111.6%**	**222.7%**	**157 085**
Community and social services	14 370	(162)	14 208	14 099	(109)	99.2%	98.1%	11 844
Sport and recreation	12 813	47	12 860	14 883	2 023	115.7%	116.2%	14 005
Public safety	24 877	63 843	88 720	90 047	1 328	101.5%	362.0%	65 460
Housing	18 467	11 579	30 046	43 614	13 569	145.2%	236.2%	61 238
Health	4 994	(120)	4 874	5 555	682	114.0%	111.2%	4 538
Economic and environmental service	**38 299**	**(4 374)**	**33 925**	**37 749**	**3 823**	**111.3%**	**98.6%**	**37 738**
Planning and development	9 539	(939)	8 600	10 402	1 802	121.0%	109.0%	9 481
Road transport	27 723	(3 495)	24 228	26 048	1 820	107.5%	94.0%	26 921
Environmental protection	1 037	60	1 097	1 298	200	118.3%	125.1%	1 336
Trading services	**270 998**	**(8 328)**	**262 670**	**258 975**	**(3 695)**	**98.6%**	**95.6%**	**243 779**
Electricity	178 516	(11 650)	166 866	159 031	(7 834)	95.3%	89.1%	157 586
Water	46 432	1 334	47 765	47 476	(289)	99.4%	102.2%	41 745
Waste water management	20 262	2 019	22 281	23 520	1 239	105.6%	116.1%	20 209
Waste management	25 788	(30)	25 758	28 947	3 189	112.4%	112.3%	24 240
Total Expenditure - Standard	**540 748**	**72 604**	**613 352**	**603 588**	**(9 763)**	**98.4%**	**111.6%**	**582 151**
Surplus for the year	**35 503**	**19 775**	**55 278**	**80 259**	**24 981**	**145.2%**	**226.1%**	**26 574**

APPENDIX C - Unaudited
KNYSNA MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

Description	2014/2015							2013/2014
R thousand	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Revenue by Vote								
Vote 1 - Executive and Council	6 414	–	6 414	24 403	17 989	380.4%	380.4%	8 845
Vote 2 - Corporate Services	3 345	459	3 804	5 344	1 541	140.5%	159.8%	3 172
Vote 3 - Financial Services	170 373	1 018	171 391	174 514	3 123	101.8%	102.4%	157 171
Vote 5 - Planning and development	32 192	24 618	56 810	45 177	**(11 633)**	**79.5%**	**140.3%**	61 455
Vote 6 - Community Services	55 685	63 186	118 872	127 055	8 183	106.9%	228.2%	89 208
Vote 7 - Electrical Services	211 020	(5 000)	206 020	204 072	(1 947)	99.1%	96.7%	200 293
Vote 8 - Technical Services	97 221	8 098	105 319	103 281	(2 038)	98.1%	106.2%	88 581
Total Revenue by Vote	**576 250**	**92 379**	**668 630**	**683 847**	**15 218**	**102.3%**	**118.7%**	**608 725**
Expenditure by Vote *to be appropriated*								
Vote 1 - Executive and Council	38 223	1 500	39 723	42 940	3 216	108.1%	112.3%	46 173
Vote 2 - Corporate Services	28 557	514	29 071	25 689	(3 382)	88.4%	90.0%	28 365
Vote 3 - Financial Services	55 847	812	56 659	46 421	(10 238)	81.9%	83.1%	42 225
Vote 5 - Planning and development	29 657	13 968	43 625	53 996	10 371	123.8%	182.1%	69 806
Vote 6 - Community Services	90 643	63 867	154 510	161 352	6 842	104.4%	178.0%	128 521
Vote 7 - Electrical Services	185 964	(11 650)	174 314	162 141	(12 173)	93.0%	87.2%	164 531
Vote 8 - Technical Services	111 856	3 594	115 450	111 050				102 531
Total Expenditure by Vote	**540 748**	**72 604**	**613 352**	**603 588**	**(9 763)**	**98.4%**	**111.6%**	**582 151**
Surplus for the year	**35 503**	**19 775**	**55 278**	**80 259**	**24 981**	**145.2%**	**226.1%**	**26 574**

APPENDIX C - Unaudited
KNYSNA MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
REVENUE AND EXPENDITURE

Description	2014/2015							2013/2014
R thousand	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget after virements	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Revenue By Source								
Property rates	159 457	–	159 457	155 654	(3 803)	97.6%	97.6%	143 966
Property rates - penalties & collection charges	2 804	–	2 804	3 207	403	114.4%	114.4%	3 065
Service charges	272 586	(5 000)	267 586	268 691	1 105	100.4%	98.6%	252 538
Rental of facilities and equipment	5 030	–	5 030	6 450	1 421	128.2%	128.2%	4 138
Interest earned - external investments	2 346	–	2 346	7 757	5 411	330.6%	330.6%	5 944
Interest earned - outstanding debtors	3 250	–	3 250	4 631	1 381	142.5%	142.5%	3 617
Fines	15 111	63 000	78 111	85 683	7 571	109.7%	567.0%	49 910
Licences and permits	1 998	–	1 998	1 642	(356)	82.2%	82.2%	1 643
Agency services	1 800	–	1 800	2 431	631	135.1%	135.1%	2 161
Transfers recognised - operational	68 844	23 146	91 990	91 024	(966)	98.9%	132.2%	96 160
Other revenue	3 291	50	3 341	15 714	12 373	470.3%	477.5%	12 339
Gains on disposal of PPE	250	–	250	10 000	**9 750**	**4000.0%**	**4000.0%**	327
Total Revenue (excluding capital transfers and contributions)	**536 766**	**81 196**	**617 962**	**652 884**	**34 921**	**761.1%**	**121.6%**	**575 808**
Expenditure By Type								
Employee related costs	176 847	3 859	180 706	179 890	(816)	99.5%	101.7%	163 609
Remuneration of councillors	6 665	–	6 665	6 474	(191)	97.1%	97.1%	6 240
Debt impairment	25 196	63 000	88 196	72 076	(16 119)	81.7%	286.1%	54 733
Depreciation & asset impairment	28 199	–	28 199	26 543	(1 655)	94.1%	94.1%	21 792
Finance charges	18 500	(4 000)	14 500	20 866	6 366	143.9%	112.8%	21 138
Bulk purchases	137 236	(8 000)	129 236	128 222	(1 014)	99.2%	93.4%	123 733
Other materials	16 843	318	17 161	20 935	3 774	122.0%	124.3%	21 889
Contracted services	22 941	1 369	24 310	24 536	226	100.9%	107.0%	18 694
Transfers and grants	5 514	(50)	5 464	5 373	(91)	98.3%	97.4%	5 001
Other expenditure	102 808	16 108	118 916	117 909	(1 007)	99.2%	114.7%	144 760
Loss on disposal of PPE	–	–	–	764	764	#DIV/0!	#DIV/0!	562
Total Expenditure	**540 748**	**72 604**	**613 352**	**603 588**	**(9 763)**	**844.8%**	**111.6%**	**582 151**
Surplus/(Deficit)	**(3 981)**	**8 592**	**4 611**	**49 295**	**– 44 684**	**- 1069.1%**	**- -1238.2%**	**(6 343)**
Transfers recognised - capital	39 484	11 183	50 667	30 964	**(19 703)**	**61.1%**	**78.4%**	32 917
Surplus for the year	**35 503**	**19 775**	**55 278**	**80 259**	**24 981**	**145.2%**	**226.1%**	**26 574**

APPENDIX C - Unaudited
KNYSNA MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Description	2014/2015							2013/2014
R thousand	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Capital expenditure - Vote								
Multi-year expenditure								
Vote 1 - Executive and Council	–	220	220	219	(1)	99.7%	#DIV/0!	2 369
Vote 3 - Financial Services	238	–	238	240	2	101.0%	101.0%	1 390
Vote 5 - Planning and Development	18 250	8 057	26 307	9 771	(16 536)	37.1%	53.5%	6 159
Vote 6 - Community Services	830	(570)	260	–	(260)	-	-	–
Vote 7 - Electrical Services	4 667	–	4 667	4 586	(81)	98.3%	98.3%	901
Vote 8 - Technical Services	13 901	5 453	19 354	15 435	(3 919)	79.8%	111.0%	11 181
Capital multi-year expenditure	**37 886**	**13 160**	**51 046**	**30 251**	(20 794)	59.3%	79.8%	**22 000**
Single-year expenditure								
Vote 1 - Executive and Council	2 090	222	2 312	1 883	(429)	81.4%	90.1%	3 312
Vote 2 - Corporate Services	75	–	75	66	(9)	88.4%	88.4%	229
Vote 3 - Financial Services	590	665	1 255	2 880	1 625	229.5%	488.2%	1 664
Vote 5 - Planning and Development	25	485	510	27	(483)	5.4%	109.8%	4 649
Vote 6 - Community Services	9 362	876	10 238	9 316	(921)	91.0%	99.5%	14 032
Vote 7 - Electrical Services	8 724	–	8 724	7 665	(1 059)	87.9%	87.9%	18 168
Vote 8 - Technical Services	11 422	3 553	14 975	9 699	(5 276)	64.8%	84.9%	6 853
Capital single-year expenditure	**32 288**	**5 801**	**38 089**	**31 537**	(6 552)	83%	98%	**48 907**
Total Capital Expenditure - Vote	**70 174**	**18 961**	**89 134**	**61 788**	(27 346)	69%	88%	**70 907**
Capital Expenditure - Standard					–	-	-	
Governance and administration	**3 553**	**1 300**	**4 852**	**6 282**	1 430	129.5%	176.8%	**10 061**
Executive and council	2 090	442	2 532	2 090	(442)	82.5%	100.0%	5 681
Budget and treasury office	438	25	463	2 208	1 746	477.4%	504.7%	1 780
Corporate services	1 025	833	1 858	1 984	126	106.8%	193.6%	2 600
Community and public safety	**24 119**	**8 990**	**33 109**	**17 744**	(15 365)	53.6%	73.6%	**19 722**
Community and social services	4 629	113	4 742	5 791	1 049	122.1%	125.1%	10 067
Sport and recreation	1 140	570	1 710	1 701	(9)	99.5%	149.2%	855
Public safety	350	500	850	658	(192)	77.4%	187.9%	2 342
Housing	18 000	7 807	25 807	9 594	(16 213)	37.2%	53.3%	6 458
Health	–	–	–	–	–	-	-	–
Economic and environmental service	**3 474**	**3 077**	**6 551**	**2 499**	(4 052)	38.1%	71.9%	**7 729**
Planning and development	250	735	985	889	(96)	90.2%	355.5%	–
Road transport	3 224	2 342	5 566	1 610	(3 956)	28.9%	50.0%	3 422
Environmental protection	–	–	–	–	–	-	-	4 308
Trading services	**39 028**	**5 594**	**44 622**	**35 263**	(9 359)	79.0%	90.4%	**33 395**
Electricity	13 341	–	13 341	11 909	(1 432)	89.3%	89.3%	19 025
Water	18 794	789	19 583	18 072	(1 511)	92.3%	96.2%	12 136
Waste water management	3 720	5 975	9 695	4 884	(4 811)	50.4%	131.3%	2 234
Waste management	3 173	(1 170)	2 003	398	(1 605)	19.9%	12.5%	–
Total Capital Expenditure - Standard	**70 174**	**18 961**	**89 134**	**61 788**	**(27 346)**	**69%**	**88%**	**70 907**
Funded by:								
National Government	21 317	–	21 317	20 940	(377)	98.2%	98.2%	25 865
Provincial Government	18 167	11 133	29 300	10 024	(19 276)	34.2%	55.2%	7 830
Other transfers and grants	–	50	50	–	(50)	-	-	81
Transfers recognised - capital	**39 484**	**11 183**	**50 667**	**30 964**	**(19 703)**	**61%**	**78%**	**33 776**
Public contributions & donations	–	**–**	–	–	–	-	-	**4 519**
Borrowing	16 695	**410**	17 105	12 152	(4 952)	71.0%	72.8%	**14 318**
Internally generated funds	13 995	7 368	21 363	18 672	(2 690)	-82.5%	-122.9%	18 294
Total Capital Funding	**70 174**	**18 961**	**89 134**	**61 788**	**(27 346)**	**69%**	**88%**	**70 907**

APPENDIX C - Unaudited
KNYSNA MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
CASH FLOWS

Description	2014/2015							2013/2014
R thousand	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	426 998	4 430	431 428	431 383	(45)	100.0%	101.0%	417 330
Government	108 328	26 118	134 446	126 257	(8 189)	93.9%	116.6%	138 605
Interest	5 596	–	5 596	7 757	2 161	138.6%	138.6%	5 944
Payments								
Suppliers and employees	(449 059)	(15 441)	(464 500)	(466 161)	(1 661)	100.4%	103.8%	(467 348)
Finance charges	(18 500)	4 000	(14 500)	(12 531)	1 969	86.4%	67.7%	(13 430)
Transfers and Grants	(5 514)	50	(5 464)	(5 373)	91	98.3%	97.4%	(5 001)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**67 849**	**19 157**	**87 006**	**81 331**	**(5 674)**	**617.6%**	**625.2%**	**76 100**
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	250	–	250	17 000	16 750	6800.0%	6800.0%	329
Decrease (Increase) in non-current debt	–	–	–	–	–	-	-	
Decrease (increase) other non-current receivables	115	10	125	–	(125)	-	-	–
Decrease (increase) in non-current investments	(1 815)	529	(1 286)	(2 698)	(1 412)	209.8%	148.6%	(2 410)
Payments								
Capital assets	(70 174)	(18 961)	(89 134)	(60 254)	28 881	67.6%	85.9%	(70 862)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(71 624)**	**(18 421)**	**(90 045)**	**(45 952)**	**44 094**	**7077.4%**	**7034.5%**	**(72 943)**
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Borrowing long term/refinancing	16 057	1 048	17 105	14 157	(2 948)	82.8%	88.2%	–
Increase (decrease) in consumer deposi	834	(33)	801	401	(400)	50.0%	48.0%	354
Payments								
Repayment of borrowing	(16 132)	(2 064)	(18 196)	(6 342)	11 854	34.9%	39.3%	(27 368)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**759**	**(1 050)**	**(290)**	**8 215**	**8 506**	**167.6%**	**175.5%**	**(27 014)**
NET INCREASE/ (DECREASE) IN CASH HELD	**(3 015)**	(315)	(3 330)	43 595	46 925	7862.6%	7835.2%	(23 857)
Cash/cash equivalents at the year begin	30 566	(13 263)	17 303	17 303	–	100.0%	56.6%	46 161
Cash/cash equivalents at the year end:	27 551	(13 578)	13 973	60 898	55 431	435.8%	221.0%	17 303